Henderson EuroTrust plc

Annual Report and Financial Statements for the year ended 31 July 2008

Henderson EuroTrust plc

Objective and investment style	Invests predominantly in large and medium-sized companies which are perceived to be undervalued in view of their growth prospects or on account of a significant change in management or structure. The Company's aim is to achieve a superior total return from a portfolio of high quality European investments.
Performance	The Company has a respectable medium and long term track record relative to its index and peer group, and has beaten the FTSE World Europe (ex UK) Index over three, five and ten years.
Stock selection	Stocks are selected, without particular reference to country, for their long term growth potential. Companies are reviewed carefully to assess the quality of management, balance sheet strength and growth prospects. The fund manager meets companies regularly.
Independent board of directors	The Directors, a majority of whom are independent of the management company, meet regularly with the fund manager to consider investment strategy and to monitor performance.
Benchmark	FTSE World Europe (ex UK) Index.

A factsheet, which is updated each month, may be accessed on **www.hendersoneurotrust.com**

Financial highlights

	31 July 2008 pence	31 July 2007 pence	Change %
Net Asset Value			
ordinary share	**527.8**	552.6	-4.5
Revenue Return			
ordinary share	**10.1**	6.1	+65.6
Dividends			
ordinary dividend	**8.0**	6.0	+33.3
special dividend	**2.0**	–	n/a

Dividends

The Company paid an interim dividend of 3.0p (2007: 2.0p) per ordinary share on 2 May 2008. Subject to shareholder approval at the AGM on 13 November 2008, a final dividend of 5.0p (2007: 4.0p) plus a special dividend of 2.0p (2007: nil) per ordinary share will be paid on 18 November 2008 to shareholders on the register on 24 October 2008. The shares will be quoted ex-dividend on 22 October 2008.

Total Return performance

	1 year %	3 years %	5 years %	10 years %
Net Asset Value Total Return(1)				
ordinary share	-4.2	35.3	105.8	104.9
FTSE World Europe (ex UK) Index(2)	-7.6	30.8	86.9	50.6
Average Continental European Investment Trust(3)	-9.5	31.2	100.6	94.0

Sources: (1) Factset. (2) Datastream. (3) AIC Information Services. The performance of a group of leading investment trust competitors (arithmetic average). These figures are preliminary estimates made by the AIC which is the industry recognised source for performance data.

Historical record

	Net asset value pence per ordinary share	Share price percentage discount/(premium) to net asset value per ordinary share pence	Revenue return per ordinary share pence	Dividend per ordinary share pence
31 July 1998	281.3	6.5	2.3	2.5
31 July 1999	281.2	10.7	2.2	2.5
31 July 2000	434.2	(6.6)	1.8	2.5
31 July 2001	306.9	7.4	2.9	2.5
31 July 2002	232.6	12.9	2.4	2.5
31 July 2003	267.8	14.6	3.7	3.0
31 July 2004	292.0	14.5	3.8	3.0
31 July 2005	399.6	8.7	4.3	5.0
31 July 2006	473.9	7.1	5.7	5.5
31 July 2007	552.6	6.5	6.1	6.0
31 July 2008	**527.8**	**11.1**	**10.1**	**10.0***
Annualised Growth	**6.5%**			

*Includes a special dividend of 2.0p.
Source: Factset, Datastream, HGI

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Chairman's Statement

Mark Tapley

My first year as Chairman of your Company has been a remarkable twelve months for financial markets, characterised by great volatility. Against this background, the figures as published by the AIC show that your Company outperformed its benchmark index by 3.4%, with a net asset value total return of -4.2% compared to the benchmark's -7.6%. The modest fall in net asset value per share comes after a five year period in which the Company's total return per share averaged 20% per annum, with no 'down' years.

Revenue and Dividend

Gross revenue for the year amounted to £3,562,000 (2007: £2,495,000) and net revenue on ordinary activities after taxation to £2,356,000 (2007: £1,504,000).

This substantial increase in net revenue arose in part from continuing activities, but in part also from special factors that may not be repeated in future years. Your Board will therefore recommend a final dividend for the year of 5.0 pence per share, making 8.0 pence in total, a one-third increase on the previous year. In addition, your Board will also recommend a special dividend of 2.0 pence per share.

Over the last six years, regular dividends paid have more than tripled, from 2.5 pence per share in 2002 to the 8.0 pence we are now proposing. It would be rash in the current economic climate to forecast another tripling over the next six years, but the Manager's strategy of identifying companies that can grow their profits at above average rates does augur well for further growth in dividends over the medium term.

Gearing

We have taken a cautious approach to gearing in the past year and have not used our powers to gear the Company. This more cautious approach has been rewarded. However, going forward the Board is conscious of the discretion it has in this matter and will introduce gearing in order to enhance shareholder returns, if we believe that the market outlook and interest rates on borrowings are appropriate.

Discount Management

The discount to net asset value at which the Company's shares trade continues to be monitored closely by the Board. Over the year the discount has tended to widen, in common with that of many other investment trust shares. The Board has powers, granted at the last Annual General Meeting, to buy shares in the open market, and it has exercised these powers on several occasions in the past twelve months. For those who believe that the share price does not reflect their true value, a wider discount provides obvious opportunities. Your Board will continue to buy back shares as and when it sees fit as part of its discount management programme.

VAT

We referred in the half year report in March of this year to our claim against HM Revenue & Customs for repayment of Value Added Tax paid on investment management fees, following the successful outcome of the JPMorgan Claverhouse test case and subsequent concession from HMRC. The reclaim covering the period 2000-2007, which has been included in these accounts, is being reviewed by HMRC and is expected to be received by the end of the calendar year. There is a possibility of a further claim in regard to VAT paid in earlier periods, although no recognition of this has been made as yet in the Company's financial statements.

Board

As mentioned in the half year report, Stani Yassukovich retired as Chairman of the Company at the last AGM after sixteen years' service. His contribution over that time was immense and his guidance and wise counsel will be missed. Another loss from the Board was Patrick Stevenson, who sadly died soon after stepping down at the AGM. Joop Feilzer, a European investment professional with extensive experience, and John Cornish, a former partner of Deloitte and expert on investment trust accounting, have joined the Board in their place and are already making a significant contribution. They will be offering themselves for election at the AGM and I urge you to support them.

Chairman's Statement

continued

Articles of Association

We are proposing certain amendments to our Articles of Association to reflect the changes to company law made by the Companies Act 2006. Details of these changes are set out in the Directors' Report and in the Appendix to the Notice of the AGM on pages 53 to 55.

Outlook

The Board believes that the next twelve months will continue to be characterised by great volatility as one of the worst financial crises in history continues to unfold. Nevertheless, we feel that Tim's cautious but incisive approach in selecting growth companies with strong balance sheets and earning streams is appropriate for the circumstances, and augurs well for future outcomes.

In addition, the Board believes that the main economies of continental Europe with their high saving rates, sound manufacturing bases, low private household debt and dull housing markets provide a comparatively stable backdrop for companies to weather the storm and pull through both stronger and more efficient. The Board agrees with Tim that we have such companies in our portfolio and that he will continue to identify good candidates.

Finally, as the last twelve months have shown, your mainly Euro and Swiss Franc based investments have suffered less in sterling terms because of the Pound's depreciation against these currencies, and may well do so again over the next year.

Annual General Meeting

The Annual General Meeting will be held at noon on Thursday 13 November 2008 at 4 Broadgate, London EC2M 2DA where the Manager will make an investment presentation and I shall be happy to answer questions. All shareholders are most welcome to attend.

Mark Tapley
Chairman
7 October 2008

Manager's Review

Tim Stevenson

Performance

In the twelve months to the end of July 2008 the AIC published figures for the total return of the Company showed a decline of 4.2% which compares favourably with our benchmark index, the FTSE World Europe (ex UK) Total Return, which fell by 7.6%. Under the circumstances of a sharp decline in market sentiment the portfolio has been well positioned with the more cautious approach adopted over a year ago. The decline in markets has been caused by a worsening global economic outlook combined with the pressures of what has been labelled the "Credit Crisis". The longer term numbers show the Company outperforming the index and also providing shareholders with capital appreciation.

A table showing the main "winners and losers" is shown below and is self explanatory. Some of it makes for tough reading – we have made mistakes – but when something has looked like it is not going according to our expectations, we have usually acted quickly to cut the position. On the positive side, a small number of holdings have appreciated over the last twelve months or since we purchased them. Of note are the small gains in SGS – the global verification and certification company listed in Switzerland – and its more recently listed peer Bureau Veritas, Synthes (orthopaedics), Fresenius Medical Care (kidney dialysis), the German listed industrial gas company Linde and finally Seadrill, the Norwegian drill rig company.

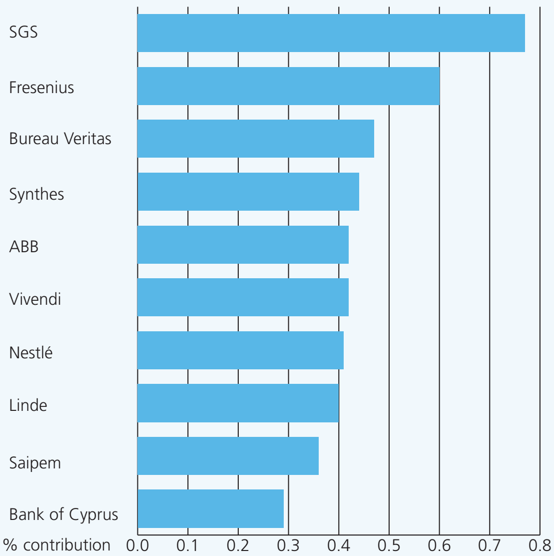
There is little doubt that the aversion which we have had for the bank and insurance sector has helped avoid some of the largest falls in the market. The only banks we have held all year have been Deutsche Postbank, (which is expected to be sold at some stage by its majority shareholder Deutsche Post), and Alpha Bank. The only insurance holding at the year end is TrygVesta, the Danish listed insurer.

The Company has clearly benefited from the weakness in sterling against the Euro. We have been expecting this for a while, and this trend may well continue, thereby adding to returns over the next few years. The inertia analysis (which shows what would have happened if we had left the portfolio entirely unchanged since 31 July 2007) shows that we have added value from our actions over the last twelve months. An unchanged fund would have declined by 9.2% compared with the 4.2% actual decline.

The Portfolio and Approach

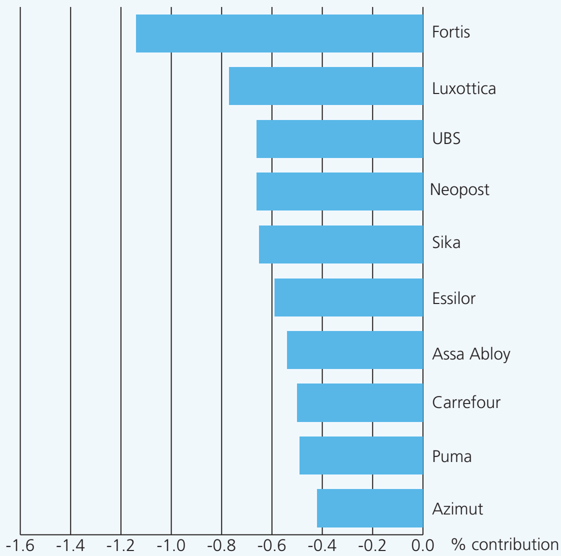
At the end of July 2008 the portfolio comprised 41 positions, (44 in 2007, 41 in 2006), after we sold 19 companies and bought 16 new holdings. Turnover, as measured by the lower of purchases or sales as a percentage of average assets, increased to 70%. The increase in revenue return per share (from 6.1p to 10.1p) is higher than normal, and reflects a near 40% increase in dividend receipts as well as the VAT repayment. Dividend receipts have clearly been higher as a result of the timing

Top ten contributions to return



Source: Factset

Bottom ten contributions to return



Source: Factset

Manager's Review
continued

of one or two of our investments as well as the appreciation of the Euro against our base currency, Sterling. It is always difficult to predict dividend receipts, and growth remains our primary objective, but at this early stage in our financial year we anticipate paying at least an unchanged regular dividend next year.

In last year's Annual Report I referred to the outlook being more uncertain, but the current situation looks as poor as it has done for many years. There is recent respite from soaring input costs as oil and most commodity prices have fallen back from peaks achieved during the early summer, but inflation is clearly higher than is comfortable. The authorities (central banks and governments) are doing their level best to make certain that this does not become wage inflation, with the result that the consumer is currently bearing the brunt of the economic slowdown. It would appear increasingly likely that growth, which has already slowed, will stay at weak levels for the rest of 2008 and probably into 2009, and earnings forecasts are likely to be brought down further.

As I have mentioned before, the risks in terms of share price when a company falls off the growth curve can be painful, especially if it is a highly rated company, as is usually the case for growth companies. During the year we have sold out of SAP and L'Oréal, two of our more highly rated companies, for fear that they will both see slower growth in the next few years – L'Oréal in particular due to the weaker consumer market. We also sold out of CRH, Vinci and Assa Abloy, all of which have exposure (admittedly to varying degrees) to what continues to be a weak construction market.

We have taken profits in some of our transport and logistics holdings. Clearly a period of slower global growth and consumer demand will lead to smaller quantities of goods being shipped. However in the case of Maersk (which also has extensive oil interests) and Deutsche Post there has been a recent change in management (not before time in the case of the latter). This could well prove to be a catalyst for improvement in profitability in spite of a more difficult global economic environment.

Performance Attribution Analysis – Twelve months to 31 July 2008 (average throughout year)

	Allocation		Performance	
Market	**Company (average) (%)**	**Benchmark Index (%)**	**Company (%)**	**Benchmark Index (%)**
Austria	1.2	1.2	-9.5	-14.3
Belgium & Luxembourg	–	2.1	-44.8	-28.5
Denmark	6.5	2.0	-3.2	2.7
Finland	3.6	3.2	-16.6	-4.7
France	19.1	24.0	-3.5	-7.6
Germany	25.5	18.4	1.3	0.6
Greece	2.1	1.5	6.2	-11.6
Ireland	3.3	1.3	-0.8	-41.4
Italy	7.6	8.6	-18.9	-13.9
Netherlands	6.4	6.3	-26.6	-15.0
Norway	0.6	2.0	18.3	6.6
Portugal	–	0.9	–	-20.8
Spain	3.3	9.6	-16.9	-3.3
Sweden	3.1	5.0	-14.2	-22.7
Switzerland	17.7	13.9	4.9	-4.0
Total	**100.0**	**100.0**	**-3.6**	**-7.8**

Source: Factset

Manager's Review

continued

We have navigated our way through the turmoil in the financial sector well. We sold Erste Bank and Marfin Investment Group early in our financial year, and also the two insurance companies Aegon and ING and Italian fund manager Azimut. Recent events show that there is virtually no visibility in terms of earnings in this sector for the next twelve months.

The one line summary of what we have been doing for many years in Henderson EuroTrust is "to invest in good quality, reliable, consistent growth companies". A sound balance sheet is the easiest way to measure the "quality" part of that statement, and in tougher economic times is a useful strength. As a result we have sold companies where we are concerned that the growth may slow at the same time as new capital may become necessary.

Many names have remained in the portfolio. It seems correct to assume that managements of companies are aware of the increasingly difficult economic environment, and in most cases have taken timely action to prepare themselves.

Each period of turmoil in economies and markets (and there have been a few over the sixteen years of the Company's life) provides opportunities. Sitting in the UK it is easy to be overwhelmed by our own economic gloom and to forget that continental European companies tend to be run with a longer time horizon than has often been the case in the UK (although of course there are exceptions in both cases). This longer term approach has often proved advantageous, as has a balance sheet that has not been geared to excessive amounts. We rather look for companies that resist the siren calls for share buybacks and invest for the long term, and remain in a position to take advantage of opportunities for acquisition that contribute to further earnings growth. Our long term holdings such as Fresenius, Inditex and Essilor (to name but a few) have given us an excellent total return (earnings growth plus dividend). We will continue to seek out such investments and take a patient approach.

Outlook

The list of unknowns in October 2008 is longer than usual. The banks are beginning to dig their way out of a deep hole, with virtually all of them increasing capital and taking a far more cautious view towards lending, and increasing the interest rates on loans as fast as they can. Elsewhere in the economy there has to be a high risk that weak consumer demand will spread beyond the obvious retailer and car manufacturers, and general industrial demand may ease too. Overall, I expect that analyst forecasts for earnings growth in 2009 of close to 10% are still too high.

While that is enough to maintain a cautious outlook, there is an added uncertainty created by a degree of scepticism and distrust towards any announcement made by a company. The art of communicating in these markets is hugely difficult; express caution due to the worsening economic outlook and a share price will be massacred; state that there is no sign of slowdown in the business yet, and the market thinks "just wait….".

From our point of view, we are keeping an eye on the growth prospects in our companies, which has always been the main driver of stock selection, and are trying our utmost to gauge the visibility of that growth: how long can we expect that growth to continue? What is driving the growth – acquisitions or new products and demand? How strong are the company's finances and how much can they generate growth even in a low growth world?

I believe the Company is well positioned for this more difficult climate. We will endeavour to do better than the market with our selection of companies that have the ability to continue to grow through better management, sound balance sheets, shrewd accretive acquisitions and good quality products. In addition to that, you will already have seen that over the years we have selected companies that have been able to increase dividends as well, adding to the total return that we can achieve for our shareholders. I am convinced that there are plenty of companies which can continue to increase profits, albeit at a slower rate, in the current more difficult economic environment.

Tim Stevenson
Portfolio Manager
7 October 2008

Manager's Review
continued

Sector Analysis

	Company 31 July 2008 %	Company 31 July 2007 %	Index 31 July 2008 %
Oil & Gas	**8.8**	6.3	7.2
Basic Materials	**3.2**	3.2	7.9
Industrials	**30.1**	26.9	12.6
Consumer Goods	**9.5**	16.2	13.7
Health Care	**21.2**	16.8	7.8
Consumer Services	**12.2**	5.6	4.7
Telecommunications	**–**	–	6.4
Utilities	**1.3**	–	9.2
Financials	**11.1**	16.1	26.4
Technology	**2.6**	8.9	4.1
Total	**100.0**	100.0	**100.0**

Further details are given on page 9.

Source: Factset and Henderson

Market Capitalisation

	Company 31 July 2008 %	Company 31 July 2007 %	Index 31 July 2008 %
Greater than £15bn	**26.1**	30.2	63.8
Between £7.5bn and £15bn	**24.9**	24.9	16.1
Between £2.5bn and £7.5bn	**37.8**	21.7	17.0
Between £1.0bn and £2.5bn	**11.2**	20.5	2.7
Less than £1.0bn	**–**	2.7	0.4
Total	**100.0**	100.0	**100.0**

Source: Factset and Henderson

Peer Group Performance
(ranked by performance over one year)

	Net Asset Value Total Return (%)			
Company	1 Year	3 Years	5 Years	10 Years
Charter European	-0.3	38.2	101.0	–
Henderson EuroTrust	**-4.2**	**35.3**	**105.8**	**104.9**
Fidelity European Values	-4.2	32.2	133.1	250.1
Gartmore European	-6.8	35.0	93.3	76.8
BlackRock Greater Europe	-8.9	32.7	–	–
SR Europe	-12.3	40.9	132.8	–
Jupiter European Opportunities	-12.6	37.5	123.6	–
JPMorgan European Growth	-12.7	28.5	87.2	61.5
Invesco Perpetual European Absolute	-12.9	6.7	59.5	32.1
JPMorgan European Income	-14.6	–	–	–
Foreign & Colonial Eurotrust	-16.6	25.3	69.8	38.2

Equity Investments by Sector

at 31 July 2008

	£'000	%
Oil & Gas		**8.8**
Oil & Gas Producers		
ENI	2,945	
Total*	2,256	
Oil Equipment & Services		
Saipem	2,726	
Seadrill*	2,279	
Basic Materials		**3.2**
Chemicals		
Linde	3,690	
Industrials		**30.1**
Construction & Materials		
Sika	2,437	
Electronic & Electrical Equipment		
ABB*	3,230	
Siemens*	3,293	
Industrial Engineering		
Atlas Copco	2,618	
Tognum*	1,334	
Industrial Transportation		
AP Moller-Maersk	4,295	
Deutsche Post	3,693	
Kühne + Nagel	2,230	
TNT	2,689	
Support Services		
Adecco*	1,512	
Bureau Veritas*	4,076	
SGS	3,493	
Consumer Goods		**9.5**
Food Producers		
IAWS	2,588	
Nestlé	2,819	
Personal Goods		
Beiersdorf	2,846	
Puma	2,764	
Health Care		**21.2**
Health Care Equipment & Services		
Essilor	3,653	
Fresenius	5,298	
Fresenius Medical Care	4,998	
Synthes	3,992	
Pharmaceuticals & Biotechnology		
Genmab	2,027	
Roche*	3,084	
Sanofi-Aventis*	1,597	

	£'000	%
Consumer Services		**12.2**
Food & Drug Retailers		
Carrefour*	1,816	
General Retailers		
Inditex	3,391	
Media		
Vivendi Universal*	4,541	
Travel & Leisure		
Sodexo	4,429	
Financials		**11.1**
Banks		
Alpha Bank	1,437	
Bank of Cyprus*	1,285	
Commerzbank*	1,970	
Deutsche Postbank	1,787	
UBS*	1,276	
Insurance		
TrygVesta	1,586	
Financial Services		
Deutsche Börse*	3,545	
Technology		**2.6**
Technology Hardware & Equipment		
Neopost	2,980	
Utilities		**1.3**
Gas Water & Multiutilities		
Suez Environnement*	1,456	
TOTAL PORTFOLIO	**115,961**	**100.0**

*New holding since 1 August 2007

There are no convertibles or fixed interest securities in the portfolio

Equity Investments by Country

at 31 July 2008

	%	£'000
Greece		
Bank of Cyprus*	1.1	1,285
	1.1	**1,285**
Denmark		
AP Moller-Maersk	3.7	4,295
Genmab	1.7	2,027
TrygVesta	1.4	1,586
	6.8	**7,908**
France		
Bureau Veritas*	3.5	4,076
Carrefour*	1.6	1,816
Essilor	3.2	3,653
Neopost	2.6	2,980
Sanofi-Aventis*	1.4	1,597
Sodexo	3.8	4,429
Suez Environnement*	1.3	1,456
Total*	1.9	2,256
Vivendi Universal*	3.8	4,541
	23.1	**26,804**
Germany		
Beiersdorf	2.5	2,846
Commerzbank*	1.7	1,970
Deutsche Börse*	3.1	3,545
Deutsche Post	3.2	3,693
Deutsche Postbank	1.5	1,787
Fresenius	4.5	5,298
Fresenius Medical Care	4.3	4,998
Linde	3.2	3,690
Puma	2.4	2,764
Siemens*	2.8	3,293
Tognum*	1.2	1,334
	30.4	**35,218**

*New holding since 1 August 2007

There are no convertibles or fixed interest securities in the portfolio

	%	£'000
Greece		
Alpha Bank	1.2	1,437
	1.2	**1,437**
Ireland		
IAWS	2.2	2,588
	2.2	**2,588**
Italy		
ENI	2.5	2,945
Saipem	2.4	2,726
	4.9	**5,671**
Netherlands		
TNT	2.3	2,689
	2.3	**2,689**
Norway		
Seadrill*	2.0	2,279
	2.0	**2,279**
Spain		
Inditex	2.9	3,391
	2.9	**3,391**
Sweden		
Atlas Copco	2.3	2,618
	2.3	**2,618**
Switzerland		
ABB*	2.8	3,230
Adecco*	1.3	1,512
Kühne + Nagel	1.9	2,230
Nestlé	2.4	2,819
Roche*	2.7	3,084
SGS	3.0	3,493
Sika	2.1	2,437
Synthes	3.5	3,992
UBS*	1.1	1,276
	20.8	**24,073**
TOTAL PORTFOLIO	**100.0**	**115,961**

Twenty Largest Holdings

at 31 July 2008

These twenty investments total £74,291,000 representing 64.1% by value of the total investments (2007: £74,412,000 representing 60.6% of the total investments)

Rank (2008)	Rank (2007)		**Valuation 2008 £'000**	Valuation 2007 £'000
1	2	Fresenius (Germany) Fresenius SE is a global health care group with products and services for dialysis, the hospital and the medical care of patients at home.	**5,298**	5,311
2	3	Fresenius Medical Care (Germany) FMC offers kidney dialysis services and manufactures and distributes equipment and products used in the treatment of dialysis patients.	**4,998**	4,156
3	–	Vivendi Universal (France) Vivendi, through its subsidiaries, conducts operations ranging from music, games and television to film and telecommunications. The Company provides digital and pay television services, sells music CDs, develops and distributes interactive entertainment and operates mobile and fixed-line telecommunications.	**4,541**	–
4	19	Sodexo (France) Sodexo runs catering facilities for organisations such as schools, hospitals and companies. It is also a world leader in the provision of vouchers.	**4,429**	2,904
5	4	AP Moller – Maersk (Denmark) AP Moller – Maersk A/S is a shipping company with diversified holdings including oil interests.	**4,295**	4,064
6	–	Bureau Veritas (France) Bureau Veritas SA provides a range of consulting services, including global inspection and certification for the industrial sector.	**4,076**	–
7	38	Synthes (Switzerland) Synthes, Inc. develops, manufactures and sells products used in orthopaedic trauma surgery.	**3,992**	1,818
8	13	Deutsche Post (Germany) Deutsche Post offers domestic mail delivery, international parcel and mail delivery services and freight delivery and logistics services.	**3,693**	3,562
9	26	Linde (Germany) Linde AG is a gases and engineering company.	**3,690**	2,161
10	6	Essilor (France) Essilor International SA manufactures and sells plastic and glass opthalmic lenses. These include the Ormex, Transitions, Varilux, Essilor, Airwear and Crizal lenses. Essilor sells its products internationally.	**3,653**	3,908

Twenty Largest Holdings

at 31 July 2008 continued

Rank (2008)	Rank (2007)		**Valuation 2008 £'000**	Valuation 2007 £'000
11	–	Deutsche Börse (Germany) Deutsche Börse AG provides a variety of stock exchange services to institutions and private investors.	**3,545**	–
12	7	SGS (Switzerland) SGS SA provides industrial inspection, analysis, testing and verification services worldwide.	**3,493**	3,878
13	5	Inditex (Spain) Inditex is the parent company of the Zara, Bershka, Massimo Duti, Stradivarius, Oysho and Zara Home retail outlets.	**3,391**	4,032
14	–	Siemens (Germany) Siemens AG manufactures a wide range of industrial and consumer products.	**3,293**	–
15	–	ABB (Switzerland) ABB Limited provides power and automation technologies. The Company operates under segments that include power products, power systems, automation products, process automation and robotics.	**3,230**	–
16	–	Roche (Switzerland) Roche Holding AG develops and manufactures pharmaceutical and diagnostic products.	**3,084**	–
17	11	Neopost (France) Neopost SA manufactures mailing and shipping equipment.	**2,980**	3,669
18	21	ENI (Italy) ENI explores for and produces hydrocarbons in Italy, Africa, the North Sea, the Gulf of Mexico, Kazakhstan and Australia.	**2,945**	2,715
19	18	Beiersdorf (Germany) Beiersdorf AG develops, manufactures and markets personal care, disposable medical and adhesive products.	**2,846**	3,002
20	24	Nestlé (Switzerland) Nestlé SA is a multinational packaged food company that manufactures and markets a wide range of food products.	**2,819**	2,507

Directors

The Directors meet regularly with the Portfolio Manager to determine strategy, monitor investment policy and review performance. The Directors' Report, the Statement of Directors' Responsibilities in respect of the financial statements, the Corporate Governance Statement and the Directors' Remuneration Report, are printed on pages 14 to 29.

Pictured, left to right, standing: Tim Stevenson, Mark Tapley, Robert Bischof, and seated; Joop Feilzer, John Cornish.

†# **D Mark Tapley, Chairman** Appointed to the Board in 2000, and as Chairman in November 2007. Mark Tapley has over 30 years' experience in the investment management industry. He is currently executive director of the Hedge Fund Centre at London Business School. He is also a Visiting Fellow at Cranfield School of Management, a member of the board of the CFA Society of the UK and an adviser to Lloyd's Register's and the Consumer Association's investment committees. He was previously managing director and group chief investment officer of WestLB Asset Management.

Tim P Stevenson Appointed to the Board in 1992, Tim Stevenson is responsible for running the portfolio and joined Henderson in 1986. He has specialised in European investment since 1982.

* **Robert A T Bischof** Appointed to the Board in 1996. Trained as a merchant banker and achieved an honours degree in Economics. In May 1993 the German President honoured him with the Federal Order of Merit for his 'extraordinary contribution' to Anglo-German relations. Robert Bischof is former chairman of McIntyre & King Limited and of Boss Group Limited, a subsidiary of Jungheinrich AG. He is on the board of the German British Forum and German British Chamber of Industry and Commerce. He is also chairman of Vitalize Health Products Limited and a member of the advisory council of T-Systems Limited, a subsidiary of Deutsche Telekom.

* **B Joop H S Feilzer** was formally appointed to the Board in November 2007. Mr Feilzer retired from the Executive Committee of Fortis in December 2006. At Fortis he was responsible for Asset Management, Private Banking and Investor Relations. After retirement from his executive functions, he is presently a non-executive director of Fortis Bank SA/NV, Fortis Bank Nederland N.V., Fortis Investments SA/NV and the Fortis Insurance companies. He is Vice Chairman of CTP Property NV, and a supervisory board member of several Dutch foundations.

*◆ **John E Cornish** Appointed to the Board in November 2007, Chairman of the Audit Committee. John is chairman of Framlington Innovative Growth Trust PLC. He is also a non-executive director of RIT Capital Partners plc, RCM Technology Trust PLC, Strategic Equity Capital plc and treasurer of the Royal Alexandra and Albert Foundation. Formerly a senior partner with Deloitte & Touche, John specialised during his career in the investment management, investment banking and other financial services sectors.

#Chairman of nominations committee.
†Chairman of management engagement committee.
◆Chairman of audit committee.

*Member of audit, nominations and management engagement committees. Other than Tim Stevenson, all the directors are independent of the management company.

Directors' Report

The Directors present the audited financial statements of the Company and their report for the year ended 31 July 2008.

Status

The Company is an investment company as defined in Section 266 of the Companies Act 1985 and Section 833 of the Companies Act 2006 and operates as an investment trust in accordance with Section 842 of the Income and Corporation Taxes Act 1988. It is required to seek approval from HM Revenue & Customs ("HMRC") of its status as an investment trust under the above mentioned Section 842 every year, and this approval will continue to be sought. HMRC approval of the Company's status as an investment trust has been received in respect of the year ended 31 July 2007 although this approval is subject to there being no subsequent enquiries under Corporation Tax Self Assessment. The Directors are of the opinion that the Company has continued to conduct its affairs in a manner that will enable it to continue to gain such approval.

ISAs

With effect from 6 April 2008:

- the annual Individual Savings Account (ISA) investment allowance has been increased to £7,200; and
- all existing PEP accounts have automatically become Stocks and Shares ISAs and are subject to ISA rules and regulations.

The Company intends to continue to manage its affairs so that its investments fully qualify for a stocks and shares component of an ISA.

Business Review

The following review is designed to provide information primarily about the Company's business and the results for the year ended 31 July 2008 and covers:

a) Investment objective and policy
b) Performance for the year and dividends
c) Performance measurement and key performance indicators
d) Management and custody arrangements
e) Related Party Transactions
f) Continued appointment of the Manager
g) Principal risks and uncertainties
h) Bank Facilities and gearing
i) Share capital
j) Future developments

A review of the investment activities for the year ended 31 July 2008 and the outlook for the coming financial year are given in the Manager's Review on pages 5 to 8.

a) Investment Objective and Policy

Objective

The objective of the Company is to invest predominantly in large and medium-sized companies which are perceived to be undervalued in view of their growth prospects or on account of a significant change in management or structure. The Company aims to achieve a superior total return from a portfolio of high quality European investments.

Policy

Companies are reviewed carefully to assess the quality of management, balance sheet strength and growth prospects. The Portfolio Manager meets regularly with those companies.

As an investment trust, the Company will not invest more than 15% of gross assets in any one company or group of companies ; however, subject to this, the Board has not set any minimum or maximum limits on the number of investments in the portfolio or imposed any country or sector limits within the European context, although the Company does not invest in UK companies. Typically there are between 40 and 50 holdings in the portfolio, reflecting a diversified mix of business and geographical sectors, but the Company will not hold more than 10% of the share capital of that company. Unquoted investments may be made, although in aggregate these may not amount to more than 10% of the portfolio, and the Company has none at the present time.

A full list of the investments in the portfolio at 31 July 2008 is shown on pages 9 and 10. The largest holding at year end was in Fresenius (4.5%). The top 10 holdings amounted to 36.8% of the total investments.

In accordance with the Listing Rules of the UKLA, the Company will not invest more than 15% (at the time the investment is made) of its total assets in other UK listed investment companies. In addition, it will not invest more

Directors' Report

continued

than 10%, in aggregate, of its total assets in UK listed investment companies who have not published an investment policy confirming that they will not themselves invest more than 15% of their total assets in other UK listed investment companies.

In practice the Company has never had any investments in other pooled vehicles and there is currently no intention to change that policy.

Gearing

The Company's Articles allow borrowings up to 100% of shareholders' funds. In normal circumstances, the Directors would expect the Company to be fairly fully invested but it may hold cash and cash instruments up to 20% or be geared up to 30% of the total assets.

b) Performance for the year and dividends

Total net assets at 31 July 2008 amounted to £121,737,000 compared with £128,762,000 at 31 July 2007, and the net asset value ("NAV") per ordinary share decreased to 527.8p from 552.6p.

At 31 July 2008 there were 41 (2007: 44) separate investments, as detailed on pages 9 and 10.

Net revenue after taxation for the year was £2,356,000, an increase of 56.6% from the previous year.

	2008	2007	% Change
Net assets (as at 31 July)	**£121,737,000**	£128,762,000	-5.5
Revenue return (for the year)	**£2,356,000**	£1,504,000	56.6
Dividends	**10.0p**	6.0p	66.6

The Board aims to make progressive increases in annual dividend payments. For the financial year under review, an interim dividend of 3.0p and a final dividend of 5.0p plus a special dividend of 2.0p provides a total dividend of 10.0p per ordinary share. Subject to approval at the AGM, the final and special dividends will be paid on 18 November 2008 to shareholders on the register of members on 24 October 2008. The Company's shares will be quoted ex-dividend on 22 October 2008.

c) Performance measurement and key performance indicators

- *Performance measured against benchmark*

  In order to measure the success of the Company in meeting its objectives and to evaluate the performance of the Manager, the Directors take into account the following key performance indicators:

  The Board reviews and compares, at each meeting, the performance of the portfolio as well as the net asset value and share price for the Company and its benchmark, the FTSE World Europe (ex UK) Index. The Board considers this to be its most important key performance indicator and has determined that it should also be used to calculate whether a performance fee is payable to the Manager as set out below.

- *Discount/premium to NAV*

  At each Board meeting, the Board monitors the level of the Company's discount/premium to NAV and reviews the average discount/premium for the Company's relevant sector.

  In 2007 the Board offered an exit opportunity to shareholders in 2010, two years earlier than would be the case under the previous arrangements if, over the three month period to 31 December 2009, the shares trade at an average discount of more than 5 per cent calculated on the basis of daily NAVs.

  The Company publishes a NAV per share figure on a daily basis, through the official newswire of the London Stock Exchange. This figure is calculated in accordance with the AIC formula and since 1 June 2008 has included current financial year revenue; the same basis as that calculated for the financial statements. The NAV excluding current financial year revenue is also published for historical cost comparison. The discount to net asset value at which the Company's shares trade continues to be monitored closely by the Board. Over the year the discount has tended to widen, in common with that of many other investment trust shares. The Board has powers, granted at the last AGM, to buy shares in the open market, and it has exercised these powers on several occasions in the past year.

Directors' Report
continued

- *Performance against the Company's peer group*
  The Company is included in the AIC Europe sector. In addition to comparison against the stated benchmark, the Board also considers the performance of its peer group at each Board meeting. Details of the peer group are shown on page 8 of this report.
- *Total Expense Ratio ('TER')*
  The TER is a measure of the total expenses incurred by the Company including those charged to capital, expressed as a percentage of the average shareholders' funds over the year. The TER is calculated by taking the management fee and adding the administrative expenses (both excluding VAT) and dividing by the Net Asset Value as at 31 July 2008. The TER before performance fees and borrowing costs, amounted to 0.90% (2007: 0.89%) of the assets of the Company. The Board regularly monitors all Company expenses.

d) Management and custody arrangements
Investment management, accounting, company secretarial and administrative services are provided to the Company by wholly owned subsidiary companies of Henderson Global Investors (Holdings) plc ("Henderson") and by BNP Paribas Fund Services UK Limited.

The base management fee is calculated at the rate of 0.70% per annum of chargeable assets under management with an additional annual performance related element.

A performance fee will be charged provided the adjusted net asset value of the ordinary shares at the end of any calculation period exceeds the high water mark represented by the formula asset value of 269p per share calculated as at 2 July 2002 (being the date following the repayment of the zero dividend preference shares). The fee will be paid to the Manager in respect of the calculation period (which is the accounting reference period) at the rate of 15% of any outperformance of the net asset value total return per ordinary share, in excess of the total return over the same period of the Company's benchmark, the FTSE World Europe (ex UK) Index (sterling adjusted). If the net asset value total return of the ordinary shares underperforms the benchmark, no performance fee will be payable until the underperformance has been made good.

The performance fee will be subject to the following caps: (a) the aggregate amount of the management/custody fee and any performance fee payable in respect of any calculation period will not exceed 1.5% of the total assets of the Company on the last business day of such calculation period; and (b) no performance fee will be payable if and to the extent that the adjusted net asset value per ordinary share on the last business day of the calculation period in question is less than 90% of the net asset value per ordinary share on the last day of the previous calculation period. If the cap under (a) takes effect, the high water mark will be adjusted downwards accordingly.

For the year ended 31 July 2008 the Manager has outperformed the Index and therefore a performance fee of £311,000 has been earned in the year under review.

The management agreement may be terminated by either party but in certain circumstances the Company will be required to pay compensation to Henderson of an amount of up to one year's management charge. Compensation is not payable if one or more years' notice of termination is given.

During the year under review the Manager used certain services which were paid for, or provided, by various brokers. In return it placed business, which may have included transactions relating to the Company, with these brokers.

Custody services are supplied directly to the Company by JPMorgan Chase.

e) Related Party transactions
The contracts with Henderson and JPMorgan Chase are the only related party transactions currently in place. There have been no material transactions with these related parties which have affected the financial position or performance of the Company during the year under review.

f) Continued appointment of the Manager
The Board reviews the performance of the investment manager (Manager) at each Board meeting. In the opinion of the Directors the continued appointment of the current Manager on the terms agreed is in the interests of the Company's shareholders as a whole. The Manager has extensive investment management resources and wide experience in managing and administering investment trust companies.

Directors' Report
continued

g) Principal risks and uncertainties

The Board has drawn up a matrix of risks facing the Company and has put in place a schedule of investment limits and restrictions, appropriate to the Company's investment objective and policy, in order to mitigate these risks as far as practicable. The principal risks which have been identified and the steps taken by the Board to mitigate these are as follows:

- *Investment activity and performance*
  An inappropriate investment strategy (for example, in terms of asset allocation or the level of gearing) may result in underperformance against the Company's benchmark index and the companies in its peer group. The Board monitors investment performance at each Board meeting and regularly reviews the extent of its borrowings.

- *Portfolio and market*
  Although the Company invests almost entirely in securities that are quoted on recognised markets, share prices may move rapidly. The companies in which investments are made may operate unsuccessfully, or fail entirely. A fall in the market value of the Company's portfolio would have an adverse effect on the shareholders' funds. The Board reviews the portfolio each month and mitigates this risk through diversification of investments in the portfolio.

- *Regulatory risks*
  A breach of Section 842 of the Income and Corporation Taxes Act 1988 could lead to a loss of investment trust status, resulting in capital gains realised within the portfolio being subject to corporation tax. A breach of the UKLA Listing Rules could result in suspension of the Company's shares, while a breach of the Companies Acts 1985 and 2006 could lead to criminal proceedings, or financial or reputational damage. The Manager has contracted to provide investment, company secretarial, administration and accounting services through qualified professionals. The Board receives internal control reports produced by the Manager on a quarterly basis, which confirm regulatory compliance.

- *Corporate governance and shareholder relations*
  Details of the Company's compliance with corporate governance best practice, including information on relations with shareholders, are set out in the Corporate Governance Statement on pages 23 to 27.

- *Financial*
  By its nature as an investment trust, the Company's business activities are exposed to market risk (including currency risk, interest rate risk and other price risk), liquidity risk, and credit and counterparty risk. Details of these risks and how they are managed are contained in Note 15 to the financial statements on pages 41 to 46.

- *Operational*
  Disruption to, or failure of, the Manager's accounting, dealing or payment systems or the custodian's records could prevent the accurate reporting and monitoring of the Company's financial position. The Company is also exposed to the operational risk that one or more of its suppliers may not provide the required level of service. Details of how the Board monitors the services provided by the Manager and its other suppliers, and the key elements designed to provide effective internal control, are explained further in the internal control section of the Corporate Governance Statement on pages 23 and 24.

h) Bank Facilities and Gearing

At 31 July 2008 the Company had no committed short term facilities and there was no gearing.

i) Share capital

The Company's share capital comprises ordinary shares with a nominal value of 5 pence each. The voting rights of the shares on a poll are one vote for every share held. There are no restrictions on the transfer of the Company's ordinary shares or voting rights, and there are no shares which carry specific rights with regard to the control of the Company.

At 31 July 2007, there were 25,667,005 shares in issue. During the year, 237,000 shares (representing 0.92% of the issued share capital) were bought back at an average price of 499 pence per share, then held in Treasury, and subsequently cancelled. In addition, during the year, the 2,363,942 shares that had been held in Treasury as at 31 July 2007, were cancelled. Therefore, as at 31 July 2008, no shares were held in Treasury. The number of ordinary

Directors' Report
continued

shares in issue on 31 July 2008 was 23,066,063. There have been no changes to the share capital up to the date of this document.

j) Future developments
While the future performance of the Company will depend to some degree on macro-economic factors and the performance of international financial markets, the Board is clear in its intention to continue with its stated investment objective, which has served shareholders well over the years. Further comments on the outlook for the Company for the next twelve months are set out in both the Chairman's Statement (on pages 3 and 4) and the Manager's Review (on pages 5 to 8).

Directors
The names and biographies of the Directors holding office at the date of this report are listed on page 13. With the exception of Mr Cornish and Mr Feilzer, both of whom joined the Board on 6 November 2007, and Mr Yassukovich and Mr P V K Stevenson, who both retired from the Board on 6 November 2007, all Directors served throughout the year under review.

The Combined Code requires that every Director retire by rotation at least every three years; the Company's Articles of Association provide that one third of the Directors retire by rotation each year; Directors are also required to retire annually if they have served more than nine years on the Board. Directors may then offer themselves for re-election. Mr Bischof and Mr Stevenson are retiring from the Board having served on the Board for more than nine years; and, being eligible, offer themselves for re-election at the forthcoming AGM. Further, Mr Cornish and Mr Feilzer offer themselves for election at the forthcoming AGM, having been appointed to the Board since the last AGM.

Directors' Remuneration
A report on Directors' remuneration can be found on pages 28 and 29.

Directors' Interests in Shares
The interests of the Directors in the ordinary shares of the Company at the beginning and end of the financial year are shown in the table at the top of the next column.

	Ordinary shares of 5p	
	31 July 2008	1 August 2007
Beneficial:		
D M Tapley	**10,000**	8,660
S M Yassukovich	–†	–
R A T Bischof	**2,000**	–
P V K Stevenson	–†	–
T P Stevenson	**82,224**	80,950
J E Cornish	**–**	–*
B J H S Feilzer	**5,000**	–*
Non-Beneficial:		
T P Stevenson	**–**	40

*As at appointment on 6 November 2007
†As at retirement on 6 November 2007

There have been no changes in the Directors' share interests since the end of the financial year.

There were no contracts subsisting during or at the end of the year in which a Director of the Company is or was materially interested and which is or was significant in relation to the Company's business. No Director has a service contract with the Company.

Directors' Indemnity
Directors' and officers' liability insurance cover is in place in respect of the Directors. The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for Directors in respect of costs which they may incur relating to the defence of any proceedings brought against them arising out of their positions as Directors, in which they are acquitted or judgement is given in their favour by the Court. However, changes to the indemnity provisions are being proposed in line with new legislation as detailed further on page 55.

Substantial Share Interests
Declarations of interests in the voting rights of the Company, at 7 October 2008, are set out below:

Shareholder	% of voting rights
Rensburg Sheppards plc	12.30%
Lloyds TSB Group plc (including Scottish Widows Investment Partnership)	8.03%
HBOS plc & its subsidiaries	7.89%
Legal & General	4.68%

Directors' Report

continued

In addition, the Board is aware that, at 31 August 2008, 11.68% of the issued share capital was held on behalf of participants in the itshenderson dealing and ISA accounts and on behalf of participants in other Henderson ISAs. The participants in these plans are given the opportunity to instruct the relevant nominee company to exercise the voting rights appertaining to their shares in respect of all general meetings of the Company. In accordance with the revised terms and conditions of itshenderson, issued by Henderson recently, Henderson has stated that it will instruct its nominee company to exercise the voting rights of any shares held through itshenderson that have not been exercised by the individual participants in itshenderson. It will do so by voting for or against all resolutions to be put at all general meetings of the Company (or by withholding votes on such resolutions) pro rata to the aggregate voting instructions for each resolution received from those participants who have chosen to exercise their voting rights.

Annual General Meeting ("AGM")

The following information is important and requires your immediate attention. If you are in any doubt about the action you should take, you should consult an independent financial adviser, authorised under the Financial Services and Markets Act 2000. If you have sold or transferred all of your Ordinary Shares in the Company, please forward this document with its accompanying form of proxy at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

The AGM will be held on Thursday 13 November 2008 at 12 noon. The formal notice of the AGM is set out on pages 50 to 52. Resolutions relating to the following items of special business will be proposed at the AGM, for which shareholder approval is required in order to comply with the Companies Acts 1985 and 2006. A special resolution is required in some cases. A special resolution is passed if more than 75% of the votes cast, in person or by proxy, are in favour of the resolution.

Resolution 11 – Authority to allot shares (ordinary resolution)
At the AGM on 6 November 2007 the Directors were granted authority to allot a limited number of authorised but unissued ordinary shares. No shares have been allotted under this authority. This authority will expire at the forthcoming AGM. An ordinary resolution to renew this authority will be proposed at the AGM to authorise the Directors to allot shares up to a maximum aggregate nominal amount of £57,665 (being 5% of the issued share capital as at the date of the Notice of the AGM). The resolution is set out in full in the Notice of the AGM on page 50.

Resolution 12 – Power to disapply pre-emption rights (special resolution)
At the AGM on 6 November 2007, the Directors were also empowered to allot securities of a limited value for cash without first offering them to existing shareholders in accordance with statutory pre-emption procedures. Since the 2007 AGM, the Directors have not used this power, which will expire at the 2008 AGM. Resolution 12, which is a special resolution, will be proposed to give the Directors power to allot securities for cash on a non pre-emptive basis up to a maximum aggregate nominal amount of £57,665 (being 5% of the issued share capital as at the date of the Notice of the AGM). Pre-emption rights under the Companies Act apply to the resale of Treasury shares for cash, just as they do for the allotment of new shares. The Board's intention is that Resolution 12 will relate to either new issues or to the resale of Treasury shares.

The Directors do not intend to allot shares pursuant to these authorities other than to take advantage of opportunities in the market as they arise and only if they believe it to be advantageous to the Company's existing shareholders to do so and when it would not result in any dilution of net asset value per share, that is at a premium to net asset value, the net asset value being calculated with debt at fair value. If renewed, both of these authorities will expire at the conclusion of the AGM in 2009.

Directors' Report
continued

Resolution 13 – Authority to make market purchases of the Company's own shares (special resolution)
On 6 November 2007, the Directors were granted authority to repurchase 3,493,129 ordinary shares (with a nominal value of £174,656) for cancellation or to be held in Treasury; 237,000 shares have been repurchased under this authority and the Company therefore has remaining authority to purchase 3,256,129 shares. This authority will expire at the forthcoming AGM in November 2008.

In Resolution 13 the Board is seeking shareholder approval to renew the authority to purchase on the London Stock Exchange up to a maximum of 14.99% of the Company's ordinary shares in issue at the date of the AGM (equivalent to 3,457,602 ordinary shares of 5p, with a nominal value of £172,880, at 7 October 2008, the date of the Notice of the AGM).

The Directors do not intend to use this authority unless to do so would result in an increase in the net asset value per ordinary share and would be in the best interests of shareholders generally. The authority being sought provides an additional source of potential demand for the Company's shares. The Company may utilise the authority to purchase shares by either a single purchase or a series of purchases when market conditions allow, with the aim of maximising the benefit to shareholders. The Board considers the use of Treasury shares is beneficial to the Company's shareholders and would expect, if shareholder approval is renewed, to hold any ordinary shares repurchased in Treasury up to the maximum permitted, 10% of the issued share capital.

Resolution 14 – Cancellation of shares and/or retention in Treasury (special resolution)
The Board intends that shares bought back by the Company will either be cancelled or, to the maximum extent permitted by law, be retained in Treasury for resale in the market at a future date.

Resolution 15 – Adoption of new Articles of Association (special resolution)
It is proposed to make certain changes to the Company's Articles of Association in order to (a) reflect the provisions of the Companies Act 2006 in so far as they apply to the Company; (b) clarify the provisions relating to the Company's borrowing powers and the distinction between capital and revenue; and (c) delete obsolete provisions referring to a share class which was cancelled in 2002. Accordingly, a special resolution will be put to the Annual General Meeting to be held on 13 November 2008. Details of the changes are set out in the notes and appendix to the Notice of Annual General Meeting on pages 50 to 55.

Recommendation
The Board considers that the resolutions relating to the above items of special business are in the best interests of shareholders as a whole. Accordingly, the Board unanimously recommends to the shareholders that they vote in favour of the above resolutions to be proposed at the forthcoming AGM.

Independent Auditors
PricewaterhouseCoopers LLP have indicated their willingness to continue in office. Accordingly, resolutions to re-appoint PricewaterhouseCoopers LLP as auditors to the Company, and to authorise the Directors to determine their remuneration, will be proposed at the AGM.

Directors' Statement as to Disclosure of Information to Auditors
The Directors who were members of the Board at the time of approving this Report are listed on page 13. Each of those Directors confirms that:

- to the best of his knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
- he has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

Corporate Governance
A statement on Corporate Governance is on pages 23 to 27.

Environmental Policy
The Company has no employees and outsources its investment management and company secretarial services to subsidiaries of Henderson Global Investors (Holdings) plc ("Henderson"). Henderson has implemented

Directors' Report
continued

environmental management practices, which include systems to limit the use of non-renewable resources and minimise the impact of operations on the environment, and is focused on reducing greenhouse gas emissions and to minimise waste, where possible.

Nominee Code
Henderson EuroTrust plc undertakes to provide nominee investors who have so requested with copies of shareholder communications to distribute to their customers. Nominee investors are able to attend and, at the invitation of the Chairman, to speak at meetings.

Investors in itshenderson and the Henderson ISAs receive all shareholder communications and a voting instruction form, as appropriate, to facilitate voting.

Payment of Suppliers
It is the payment policy for the financial year to 31 July 2009 to obtain the best possible terms for all business and, therefore, there is no single policy as to the terms used. In general the Company agrees with its suppliers the terms on which business will take place and it is the Company's policy to abide by such terms. There were no trade creditors at 31 July 2008.

Going Concern
The Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the financial statements as the assets of the Company consist mainly of securities which are readily realisable and, accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future.

By order of the Board

Henderson Secretarial Services Limited
Secretary

7 October 2008

Statement of Directors' responsibilities in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Principles (UK GAAP). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with UK GAAP; and
- prepare the financial statements on the going concern basis.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements are published on a website maintained by the Company's Manager, Henderson Global Investors Limited. The maintenance and integrity of this website is, so far as it relates to the Company, the responsibility of Henderson. The work carried out by the auditors does not involve consideration of the maintenance and integrity of the website and, accordingly, the auditors accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in their own jurisdiction.

Statement under DTR 4.1.12

The Directors, who are listed on page 13 of this Annual Report, each confirm to the best of their knowledge that:

(a) the financial statements, prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and

(b) this Annual Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face.

For and on behalf of the Board

J E Cornish
Director
7 October 2008

Corporate Governance

Introduction

The Directors are accountable to shareholders for the governance of the Company's affairs.

This statement describes how the principles of the Combined Code on Corporate Governance ("the Code") issued by the Financial Reporting Council in July 2003 (and revised in June 2006) have been applied to the affairs of the Company. In applying the principles of the Code, the Directors have also taken account of the Code of Corporate Governance published by the Association of Investment Companies ("the AIC Code"), which establishes the framework of best practice specifically for the Boards of investment trust companies. There is some overlap in the principles laid down by the two Codes and there are some areas where the AIC Code is more flexible for investment trust companies.

Application of the Codes' Principles and Statement of Compliance

The Board attaches importance to the matters set out in both the Code and the AIC Code and observes the relevant Main and Supporting Principles. It should be noted that, as an investment trust, most of the Company's day-to-day responsibilities are delegated to third parties, the Company has no employees and the directors are all non-executive. Thus, not all the provisions of the Code are directly applicable to the Company.

The Directors believe that during the period under review they have complied with the provisions of the Code, insofar as they apply to the Company's business, and with the provisions of the AIC Code except as noted below.

Senior independent director

A senior non-executive director has not been identified as the Board considers that all the Directors have different qualities and areas of expertise on which they may lead where issues arise and to whom concerns can be conveyed.

The role of chief executive

Since all Directors are non-executive and day-to-day management responsibilities are sub-contracted to the Manager, the Company does not have a chief executive officer.

Executive directors' remuneration

As the Board has no executive directors, it is not required to comply with the principles of the Code in respect of executive directors' remuneration and does not have a Remuneration Committee. Directors' fees are detailed in the Directors' Remuneration Report on page 29.

Internal audit function

As the Company delegates to third parties its day-to-day operations and has no employees, the Board has determined that there is no requirement for an internal audit function. The Board reviews annually whether a function equivalent to an internal audit is needed and it will continue to monitor its systems of internal controls in order to provide assurance that they operate as intended.

Internal Controls

The Board has overall responsibility for the Company's system of internal controls and for reviewing its effectiveness. These controls aim to ensure that the assets of the Company are safeguarded, proper accounting records are maintained, and the financial information used within the business and for publication is reliable. Control of the risks identified, covering financial, operational, compliance and risk management is embedded in the controls of the Company by a series of regular investment performance, financial and risk analyses and Manager's reports, and a quarterly control report. Key risks have been identified and controls have been put in place to mitigate such risks, including those risks that are not directly the responsibility of the Manager. The effectiveness of the internal controls is assessed by the Manager's compliance and risk departments on a continuing basis.

The Manager and custodian maintain their own systems of internal controls and the Board and Audit Committee receive regular reports from the Manager. The control systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate risk of failure to achieve objectives.

Corporate Governance
continued

The Board has established a process of identifying, evaluating and managing any major risks faced by the Company. The process is subject to regular review by the Board and accords with the Internal Control Guidance for Directors on the Combined Code published in September 1999 and revised in October 2005 ("the Turnbull Guidance").

The Manager is responsible for the day to day investment management decisions on behalf of the Company and for the provision of company secretarial and accounting services.

The Board, assisted by the Manager, has undertaken an annual review of the effectiveness of the Company's system of internal control and the business risks have been analysed and recorded in a risk map which is reviewed regularly. The Board receives each quarter from the Manager a formal report which details the steps taken to monitor the areas of risk, including those that are not directly the responsibility of the Manager, and which reports the details of any known internal control failures. The Board receives each year from the Manager a report on its internal controls which includes a report from the Manager's reporting accountants on the control policies and procedures in operation. The Board confirms that had any significant failings or weaknesses been identified in that review necessary actions would have been taken to remedy them.

Board Independence and Composition

The Board currently consists of five non-executive Directors, the majority of whom are independent of the Company's Manager. The Chairman is Mr Tapley. Following the introduction of the Code and the AIC Code the Directors have reviewed their independence. Mr T P Stevenson is employed by the Manager and is therefore not considered an independent director; however, the Board values the fact that he is also a Director and committed to achieving best returns for shareholders. The Directors' biographies, set out on page 13, demonstrate a breadth of investment, industrial, commercial and professional experience relevant to their positions as Directors on the Board of the Company. Directors visit the region periodically to ensure they are up to date with developments in Europe. No Director has a service contract with the Company.

The Board has considered the continued appointment of Mr Bischof who has served on the Board for over nine years. He has no other links to the Manager, a wide range of other interests and is not dependent in any way on the Company itself.

Mr Tapley was appointed Chairman following the retirement of Mr Yassukovich at the conclusion of the AGM in November 2007. Mr Tapley joined the Board in 2000 and is considered independent by the Board. Mr P Stevenson also retired at the conclusion of the 2007 AGM. The Board appointed two independent directors, Mr Cornish and Mr Feilzer on 6 November 2007. The Board will continue to review the structure of the Board each year.

Meetings

The Board meets at least six times per annum and is responsible for the effective stewardship of the Company's affairs. Certain strategic issues have been considered at various meetings of the Board and additional meetings of the Board may be arranged as required. The Board has a formal schedule of matters specifically reserved for its decision, which are categorised under various headings including strategy, management, structure, capital, financial reporting, internal controls, gearing, asset allocation, share price discount, contracts, policy, finance, risk, investment restrictions, performance, corporate governance and Board membership and appointments. In order to enable them to discharge their responsibilities, all Directors have full and timely access to relevant information. At each meeting, the Board reviews the Company's investment performance and considers financial analyses and other reports of an operational nature. The Board monitors compliance with the Company's objectives and is responsible for setting asset allocation, investment and gearing limits within which the Manager has discretion to act; thus it supervises the management of the investment portfolio, which is contractually delegated to the Manager. The Board has adopted a procedure for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company.

Corporate Governance
continued

The Chairman attends meetings of all the chairmen of the investment trust companies managed by the Manager; these meetings provide a forum to discuss industry matters and the Chairman reports on them to the Board.

The number of formal meetings of the Board and its Committees held during the financial year and the attendance of individual directors are shown below.

	Board	Audit Committee	Management Engagement Committee
Number of meetings in full year	6	2	1
D M Tapley	6	1	1
R A T Bischof	5	2	1
T P Stevenson	6	n/a	n/a
J E Cornish[(2)]	4	1	1
B J H S Feilzer[(2)]	4	1	1
P V K Stevenson[(1)]	1	–	–
S M Yassukovich[(1)]	2	n/a	–

The membership of each Committee is shown on page 13.

[(1)]Retired 6 November 2007.

[(2)]Appointed 6 November 2007.

Board Committees

The Board has appointed three Committees as set out below. Copies of the terms of reference which clearly define responsibilities for each Committee are available on the website or on request and will be available for inspection at the AGM.

Audit Committee

The Audit Committee comprises Mr Cornish, who is Chairman, Mr Bischof and Mr Feilzer, all of whom are considered independent. The Board has satisfied itself that at least one of the Committee's members has recent and relevant financial experience. The Committee has written terms of reference, which clearly define its responsibilities and duties.

The Committee meets at least twice each year to review the internal financial and non-financial controls, to consider and recommend to the Board for approval the contents of the draft Half Year and Annual Reports to shareholders, and to review the accounting policies and significant financial reporting judgments. In addition, the Committee reviews the auditors' independence, objectivity and effectiveness, appointment and remuneration, the quality of the services of the service providers to the Company and, together with the Manager, reviews the Company's compliance with financial reporting and regulatory requirements. Representatives of the Manager's internal audit and compliance departments attend these meetings at the Chairman's request.

Representatives of PricewaterhouseCoopers LLP, the Company's auditors, attend the Committee meeting at which the draft Annual Report and Financial Statements are reviewed and are given the opportunity to speak to the Committee members without the presence of the representatives of the Manager.

The Chairman of the Audit Committee will be present at the AGM to deal with questions relating to the Financial Statements.

Management Engagement Committee

The Management Engagement Committee's membership comprises all of the Directors with the exception of Mr Stevenson. The Chairman of the Committee is Mr Tapley. The Committee meets at least annually to review the investment management agreement with the Company's Manager and to review the services provided by the Manager. Details of Henderson Global Investors' responsibilities as Managers and administrators of the Company can be found in the Directors' Report on page 16.

Nominations Committee

The Nominations Committee comprises all the Directors except Mr Stevenson. The Committee meets as required and is responsible for Board succession planning and the review of the performance of the Company, the Manager's representatives, the Board as a whole and each individual Director. The Chairman of the Board, Mr Tapley, acts as Chairman of the Nominations Committee but does not participate when the Chairman's performance, re-election or his successor are being considered.

Corporate Governance

continued

Directors' Remuneration

It is the responsibility of the Board as a whole to determine and approve Directors' fees following proper consideration having regard to the level of fees payable to non-executive directors in the industry generally, the role that individual Directors fulfil in respect of Board and Committee responsibilities and the time committed to the Company's affairs.

The Chairman's remuneration is decided and approved by the Board under the leadership of the Audit Committee Chairman. The Company's Articles of Association limit the aggregate fees payable to the Board to a total of £120,000 per annum. Detailed information on the remuneration arrangements for the Directors of the Company can be found in the Directors' Remuneration Report on pages 28 and 29.

Tenure Policy

No Director has a contract of employment with the Company. Directors' terms and conditions for appointment are set out in letters of appointment which are available for inspection at the Registered Office of the Company and will be available at the AGM.

The Articles of Association provide that one third of the Directors must retire by rotation and may offer themselves for re-election at each AGM. The terms of the Directors' appointment also provide that a Director shall retire and be subject to re-election at the first AGM after appointment and at least every three years thereafter.

The Board believes that each of the Directors exercises independent judgment and that length of service does not diminish the contribution from a Director; indeed a Director's experience and extensive knowledge of the Company is a positive benefit to the Board. Moreover, long-serving Directors are less likely to take a short-term view. This view is supported by the AIC Code. However, as one of the Directors has served on the Board for more than nine years his independence is assessed according to the criteria set out in the Combined Code (Code provision A.3.1). In light of Code provision A.7.2, the Director who has served for nine years or more will be seeking annual re-election from shareholders. As an employee of the management company, Mr Stevenson is not regarded as being independent and also seeks re-election annually.

Directors' Training

When a new Director is appointed he is offered an induction which is held by the Manager. Directors are also provided on a regular basis with key information on the Company's activities, including regulatory and statutory requirements and internal controls. Changes affecting Directors' responsibilities are advised to the Board as they arise. Directors also regularly participate in relevant training and industry seminars.

Performance Evaluation

The performance of the Company is considered in detail at each Board meeting.

The Board has direct access to the company secretarial advice and services provided by the Manager which, through its nominated representative, is responsible for ensuring that the Board and Committee procedures are followed and that applicable regulations are complied with. During the year the Company has maintained insurance cover in respect of legal action against the Directors.

Appointment of the Manager

The Board reviews the performance of the Manager at each Board meeting. The Management Engagement Committee regularly reviews the terms of the contract with the Manager.

In the opinion of the Directors the continued appointment of the Manager on the terms agreed is in the interests of the Company's shareholders as a whole. The Manager has extensive investment management resources and wide experience in managing and administering investment trust companies.

The Board has delegated contractually to external third parties, including the Manager, the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), the day-to-day accounting, company secretarial, administration and registration services. Each of these contracts was entered

Corporate Governance
continued

into after full and proper consideration by the Board of the quality and cost of the services offered, including the control systems in operation in so far as they relate to the affairs of the Company.

The Board receives and considers regular reports from the Manager and ad hoc reports and information are supplied to the Board as required.

Financial Reporting

The Statement of Directors' Responsibilities in respect of the Financial Statements is set out on page 22, the Independent Auditors' Report on page 30 and the Statement of Going Concern on page 21.

Voting Policy

The Manager has developed and published a policy on Corporate Governance, Voting Policy and Socially Responsible Investment in respect of UK investments. The policy reflects the statement of principles on the responsibilities of institutional shareholders and agents drawn up in 2002 by the Institutional Shareholders' Committee. The Manager believes the interests of its clients are served by investing in companies that adopt best practice and corporate governance.

Relations with Shareholders

Shareholder relations are given high priority by both the Board and the Manager. The prime medium by which the Company communicates with shareholders is through the Half Year and Annual Reports and Financial Statements which aim to provide shareholders with a clear understanding of the Company's activities and its results. This information is supplemented by the daily publication at the London Stock Exchange of the net asset value of the Company's ordinary shares and a monthly fact sheet.

At each AGM a presentation is made by the Manager following the formal business of the meeting. Shareholders have the opportunity to address questions to the Chairman and the Chairman of the Audit Committee at the AGM. All shareholders are encouraged to attend the AGM.

It is the intention of the Board that the Annual Report and Financial Statements and Notice of the AGM be issued to shareholders so as to provide at least twenty working days' notice of the AGM. Shareholders wishing to lodge questions in advance of the AGM are invited to do so by writing to the Company Secretary at the registered office address. At other times the Company responds to letters from shareholders on a range of issues.

General presentations to both institutional shareholders and analysts follow the publication of the annual results. All meetings between the Manager and shareholders are reported to the Board.

Directors' Remuneration Report

Introduction

The Directors' Remuneration Report ("the Report") is prepared in accordance with Schedule 7A of the Companies Act 1985 ("the Act") in respect of the year ended 31 July 2008. An ordinary resolution to approve the Report will be put to the Annual General Meeting. The Act requires the auditors to report to the Company's members on certain parts of the Report and to state whether in their opinion those parts of the Report have been properly prepared in accordance with the Act. Therefore the Report has been divided into separate sections for audited and unaudited information.

UNAUDITED INFORMATION

Consideration by the Directors of Matters Relating to Directors' Remuneration

The Board as a whole considers the Directors' remuneration. The Board has not appointed a committee to consider matters relating to the Directors' remuneration. The Board has not been provided with advice or services by any person in respect of its consideration of the Directors' remuneration (although the Directors regularly review the fees paid to the boards of directors of other investment trust companies).

Statement of the Company's Policy on Directors' Remuneration

The Board throughout the year consisted of five non-executive Directors who meet at least six times a year to deal with the important aspects of the Company's affairs. New Directors are appointed with the expectation that they will serve for a period of three years, and receive a letter of appointment. Directors' appointments are reviewed formally every three years thereafter by the Board as a whole. None of the Directors has a contract of service or a contract for services and a Director may resign by notice in writing to the Board at any time; there are no set notice periods. The Company's policy is for the Directors to be remunerated in the form of fees, payable quarterly in arrears, to the Director personally or to a third party specified by him. There are no long-term incentive schemes provided by the Company and the fees are not specifically related to the Directors' performance, either individually or collectively.

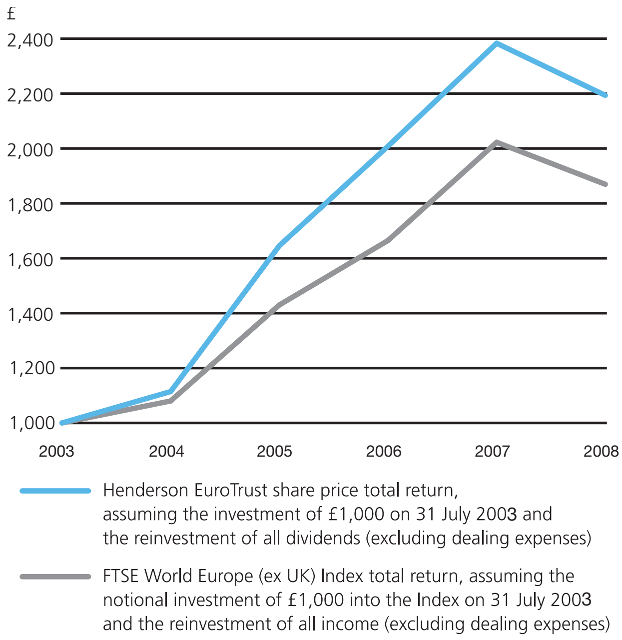
The Company's policy is that the fees payable to the Directors should reflect the time spent by the Board on the Company's affairs and the responsibilities borne by the Directors and should be sufficient to enable candidates of high calibre to be recruited. The policy is for the Chairman of the Board and the Chairman of the Audit Committee to be paid a higher fee than the other Directors in recognition of their more onerous roles.

The Company's Articles of Association limit the fees payable to the Directors in aggregate to £120,000 per annum. Following a review of its peer group and the increased time spent by Board members on their duties and responsibilities, Directors' fees were increased with effect from 1 February 2008 to £25,000 for the Chairman, £20,000 for the Audit Committee Chairman and £16,000 for other Directors. The policy is to review these rates annually, although such review will not necessarily result in any change to the rates.

Directors' and officers' liability insurance cover is held by the Company in respect of the Directors.

Performance Graph

A line graph, as required by the Act, showing the Company's share price total return compared to the FTSE World Europe (ex UK) Index is shown below.



The FTSE World Europe (ex UK) Index has been selected for the above chart as this is the Company's benchmark Index.

Directors' Remuneration Report
continued

AUDITED INFORMATION

Amount of each Director's Emoluments

The fees payable by the Company in respect of each of the Directors who served during the year, and during 2007, were as follows:

	2008	2007
D M Tapley	**£20,689**	£15,000
S M Yassukovich(2)	**£4,810**	£18,000
R A T Bischof	**£13,989**	£12,000
P V K Stevenson(2)	**£3,207**	£12,000
T P Stevenson(1)	**–**	–
J E Cornish(3)	**£13,520**	–
B J H S Feilzer(3)	**£10,815**	–
TOTAL	**£67,030**	£57,000

Notes:

(1) Fee waived.

(2) Retired 6 November 2007.

(3) Appointed 6 November 2007.

No other remuneration or compensation was paid or payable by the Company during the year to any of the current or former Directors.

Mr Feilzer received £2,482 (2007: £nil) expenses during the year which would have related to costs incurred in respect of Board meeting attendance during the year. No reimbursement was made to any other Director in this respect.

Mr T P Stevenson, a Director of the Company and the Portfolio Manager, is employed and paid by Henderson for the provision of services to the Company. Under the Companies Act 1985 it is necessary to state the proportion of the amount he received from Henderson which relates to the management of the Company, even though the Company does not pay these emoluments to him and is not involved in their determination. The Company has been informed that the emoluments paid by Henderson, to Mr T P Stevenson in respect of his services to the Company in the year (including performance related bonus) were £186,000 (2007: £194,000) as analysed:

	2008	2007
Salary and other benefits	**£20,000**	£20,000
Performance related bonus	**£166,000**	£174,000
TOTAL	**£186,000**	£194,000

The highest paid Director's emoluments thus totalled £186,000 (2007: £194,000).

A contribution was paid by Henderson on behalf of Mr T P Stevenson to a non-contributory defined benefit pension scheme. The increase in the benefit was £5,090 (2007: £5,084).

By order of the Board

Henderson Secretarial Services Limited
Secretary

7 October 2008

Independent Auditors' Report

to the members of Henderson EuroTrust plc

We have audited the financial statements of Henderson EuroTrust plc for the year ended 31 July 2008 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities. The Directors are also responsible for preparing the Directors' Remuneration Report.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement and Manager's Review that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the Combined Code (2006) specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Investment Review, the Corporate Governance Statement and all of the other information listed on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 July 2008; and of its net return and cash flows for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985;
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
7 October 2008

Income Statement

for the year ended 31 July 2008

Notes		**Year ended 31 July 2008** Revenue return £'000	Capital return £'000	Total £'000	Year ended 31 July 2007 Revenue return £'000	Capital return £'000	Total £'000
2	(Losses)/gains from investments held at fair value through profit or loss	**–**	**(6,790)**	**(6,790)**	–	19,751	19,751
3	Investment income	**3,303**	**–**	**3,303**	2,356	–	2,356
4	Other interest receivable and similar income	**259**	**–**	**259**	139	–	139
	Gross revenue and capital (losses)/gains	**3,562**	**(6,790)**	**(3,228)**	2,495	19,751	22,246
5	Management and performance fees	**(179)**	**(1,026)**	**(1,205)**	(216)	(866)	(1,082)
5	Write-back of prior years' VAT	**163**	**731**	**894**	–	–	–
6	Other administrative expenses	**(207)**	**–**	**(207)**	(220)	–	(220)
	Net return/(loss) on ordinary activities before finance charges and taxation	**3,339**	**(7,085)**	**(3,746)**	2,059	18,885	20,944
7	Finance charges	**–**	**(1)**	**(1)**	(2)	(6)	(8)
	Net return/(loss) on ordinary activities before taxation	**3,339**	**(7,086)**	**(3,747)**	2,057	18,879	20,936
8	Taxation on net return on ordinary activities	**(983)**	**516**	**(467)**	(553)	255	(298)
	Net return/(loss) on ordinary activities after taxation	**2,356**	**(6,570)**	**(4,214)**	1,504	19,134	20,638
9	**Return/(loss) per ordinary share**	**10.1p**	**(28.2)p**	**(18.1)p**	6.1p	77.2p	83.3p

The total column of this statement represents the Income Statement of the Company.
All revenue and capital items in the above statement derive from continuing operations.
The revenue return and capital return columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies.
The Company had no recognised gains or losses other than those disclosed in the Income Statement and Reconciliation of Movements in Shareholders' Funds.

The notes on pages 35 to 49 form part of these financial statements

Reconciliation of Movements in Shareholders' Funds

for the years ended 31 July 2008 and 31 July 2007

Notes	**Year ended 31 July 2008**	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
	At 31 July 2007	**1,283**	**33,814**	**–**	**91,928**	**1,737**	**128,762**
	Net (loss)/return from ordinary activities after taxation	**–**	**–**	**–**	**(6,570)**	**2,356**	**(4,214)**
16	Repurchase of ordinary shares	**–**	**–**	**–**	**(1,182)**	**–**	**(1,182)**
16	Cancellation of ordinary shares held in Treasury	**(130)**	**–**	**130**	**–**	**–**	**–**
10	Final dividend paid in respect of the year ended 31 July 2007 (paid 9 November 2007)	**–**	**–**	**–**	**–**	**(932)**	**(932)**
10	Interim dividend paid in respect of the year ended 31 July 2008 (paid 2 April 2008)	**–**	**–**	**–**	**–**	**(697)**	**(697)**
	At 31 July 2008	**1,153**	**33,814**	**130**	**84,176**	**2,464**	**121,737**

Notes	**Year ended 31 July 2007**	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other capital reserves £'000	Revenue reserve £'000	Total £'000
	At 31 July 2006	1,283	33,814	–	84,944	1,597	121,638
	Net return from ordinary activities after taxation	–	–	–	19,134	1,504	20,638
10	Final dividend paid in respect of year ended 31 July 2006 (paid 10 November 2006)	–	–	–	–	(898)	(898)
10	Interim dividend paid in respect of year ended 31 July 2007 (paid 12 April 2007)	–	–	–	–	(466)	(466)
	Repurchase of ordinary shares held in Treasury	–	–	–	(12,150)	–	(12,150)
	At 31 July 2007	1,283	33,814	–	91,928	1,737	128,762

The notes on pages 35 to 49 form part of these financial statements

Balance Sheet

at 31 July 2008

Notes		2008 £'000	2007 £'000
	Fixed asset investments held at fair value through profit or loss		
11	Listed at market value – overseas	**115,961**	122,865
	Current assets		
12	Debtors	**1,173**	2,414
	Cash at bank and short term deposits	**5,360**	5,625
		6,533	8,039
13	**Creditors: amounts falling due within one year**	**(757)**	(2,142)
	Net current assets	**5,776**	5,897
	Total net assets	**121,737**	128,762
	Capital and reserves		
16	Called up share capital	**1,153**	1,283
17	Share premium account	**33,814**	33,814
18	Capital redemption reserve	**130**	–
18	Capital reserves	**84,176**	91,928
18	Revenue reserve	**2,464**	1,737
	Equity shareholders' funds	**121,737**	128,762
14	**Net asset value per ordinary share**	**527.8p**	552.6p

The financial statements were approved and authorised for issue by the Board of Directors on 7 October 2008 and signed on its behalf by:

J E Cornish
Director

The notes on pages 35 to 49 form part of these financial statements

Cash Flow Statement

for the year ended 31 July 2008

Notes		2008 £'000	2008 £'000	2007 £'000	2007 £'000
19	**Net cash inflow/(outflow) from operating activities**		**2,167**		(11)
	Servicing of finance				
	Interest paid	**(1)**		(8)	
	Net cash outflow from servicing of finance		**(1)**		(8)
	Taxation				
	Overseas tax recovered	**25**		155	
	Net tax recovered		**25**		155
	Financial investment				
	Purchases of investments	**(90,245)**		(58,710)	
	Sales of investments	**90,094**		74,750	
	Net cash (outflow)/inflow from financial investment		**(151)**		16,040
	Equity dividends paid		**(1,629)**		(1,364)
	Net cash inflow before financing		**411**		14,812
	Financing				
	Repurchase of own shares	**(1,182)**		(12,150)	
	Net outflow from financing		**(1,182)**		(12,150)
	(Decrease)/increase in cash		**(771)**		2,662
	Reconciliation of net cash flow to movement in net funds				
20	(Decrease)/increase in cash as above		**(771)**		2,662
20	Exchange movements		**506**		(162)
	Change in net (debt)/funds resulting from cash flows		**(265)**		2,500
	Net funds at 1 August		**5,625**		3,125
20	**Net funds at 31 July**		**5,360**		5,625

The notes on pages 35 to 49 form part of these financial statements

Notes to the Financial Statements

1 Accounting policies

(a) Basis of accounting
The financial statements have been prepared on a going concern basis and under the historical cost basis of accounting, modified to include the revaluation of investments at fair value. The financial statements have been prepared in accordance with applicable accounting standards and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" dated December 2005 ("The Revised SORP"). All of the Company's operations are of a continuing nature.

(b) Fixed asset investments held at fair value through profit or loss
All investments are designated upon initial recognition as held at fair value through profit or loss. Assets are de-recognised at the trade date of the disposal. Proceeds will be measured at fair value, which will be regarded as the proceeds of sale less any transaction costs. The fair value of the financial instruments is based on their quoted bid price at the balance sheet date, without deduction of the estimated future selling costs. Unquoted investments are valued by the directors using primary valuation techniques such as earnings multiples, recent transactions and net assets. Where fair value cannot reliably be measured the investment will be carried at the previous reporting date value unless there is evidence that the investment has since been impaired, in which case the value will be reduced.

Changes in the fair value of investments held at fair value through profit or loss and gains and losses on disposal are recognised in the Income Statement as "Gains or losses from investments held at fair value through profit or loss". Also included within this caption are transaction costs in relation to the purchase or sale of investments, including the difference between the purchase price of an investment and its bid price at the date of purchase.

(c) Capital gains and losses
Realised and unrealised capital gains and losses on investments, together with exchange differences arising on the translation of foreign currency assets and liabilities, are dealt with in the capital reserves.

(d) Income
Dividends receivable from equity shares are taken to revenue return on an ex-dividend basis. Bank deposit interest and stock lending fees are taken to revenue on an accruals basis. Underwriting commission is recognised as it is earned.

(e) Expenses and finance charges
All expenses are accounted for on an accruals basis. Finance charges, including any premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the Income Statement using the effective interest rate method. On the basis of the Board's expected long term split of returns in the form of capital gains and income of 80% and 20% respectively, the Company charges 80% of its interest payable and management fee to other capital reserves. All other expenses are charged to revenue return. All of these amounts are stated net of any tax relief and inclusive of any related irrecoverable value added tax. Expenses which are incidental to the purchase or sale of an investment are included within the cost or deducted from the proceeds of sale of the investment.

Any fee for outperformance is allocated to the capital return for that part that is directly related to the capital performance of the investments of the Company and the revenue return for any portion directly attributable to revenue performance.

(f) Taxation
The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the period. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible

Notes to the Financial Statements

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in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that were applicable at the balance sheet date.

In line with the recommendations of the SORP, the allocation method used to calculate tax relief on expenses presented against capital returns in the supplementary information in the Income Statement is the "marginal basis". Under this basis, if taxable income is capable of being offset entirely by expenses presented in the revenue return column of the Income Statement, then no tax relief is transferred from the capital return column.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Investment trusts which have approval as such under section 842 of the Income and Corporation Taxes Act 1988 are not liable for taxation on capital gains.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Income Statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(g) Foreign currency

In accordance with FRS 23: "The effects of changes in Foreign Currency Exchange Rates" the Company is required to nominate a functional currency, being the currency in which the Company predominately operates. The Board, having regard to the currency of the Company's share capital and the predominant currency in which its shareholders operate, has determined the functional currency to be Sterling.

Transactions denominated in foreign currencies are converted at actual exchange rates as at the date of the transaction. Assets and liabilities denominated in foreign currencies at the year end are translated at the rates of exchange prevailing at the year end.

Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in revenue return or capital return, depending on whether the gain or loss is of a revenue or capital nature.

(h) Dividends

In accordance with FRS 21: "Events after Balance Sheet Date", dividends payable are included in the financial statements in the year in which they are paid.

2 (Losses)/gains from investments held at fair value through profit or loss

	2008 £'000	2007 £'000
Realised gains based on historical cost	**9,517**	18,665
Amounts recognised as unrealised in previous years	**(14,181)**	(13,677)
Realised (losses)/gains based on carrying value at previous balance sheet date	**(4,664)**	4,988
Net movement in unrealised appreciation	**(2,632)**	14,925
Net gains/(losses) on foreign exchange	**506**	(162)
	(6,790)	19,751

Notes to the Financial Statements

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3	**Investment income**	**2008 £'000**	2007 £'000
	Unfranked – listed investments		
	Dividend income	**3,303**	2,356

4	**Other interest receivable and similar income**	**2008 £'000**	2007 £'000
	Deposit interest	**214**	81
	Stock lending fees	**43**	58
	Underwriting commissions	**2**	–
		259	139

5	**Management and performance fees**	**2008 Revenue return £'000**	**2008 Capital return £'000**	**2008 Total £'000**	2007 Revenue return £'000	2007 Capital return £'000	2007 Total £'000
	Management fee	**179**	**715**	**894**	184	737	921
	Performance fee	**–**	**311**	**311**	–	–	–
	Irrecoverable VAT thereon	**–**	**–**	**–**	32	129	161
	Write-back of VAT (see note 22)	**(163)**	**(731)**	**(894)**	–	–	–
		16	**295**	**311**	216	866	1,082

A summary of the terms of the management agreement is given in the Directors' Report on page 16.

6	**Other administrative expenses (including irrecoverable VAT)**	**2008 £'000**	2007 £'000
	Directors' fees (see the Directors' Remuneration Report on pages 28 and 29)	**67**	57
	Auditors' remuneration – for audit services	**23**	23
	Other administrative expenses	**117**	140
		207	220

7	**Finance charges**	**2008 Revenue return £'000**	**2008 Capital return £'000**	**2008 Total £'000**	2007 Revenue return £'000	2007 Capital return £'000	2007 Total £'000
	Bank overdraft interest	**–**	**1**	**1**	2	6	8

Notes to the Financial Statements

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8 Taxation

(a) Analysis of charge in the year

	2008 Revenue return £'000	2008 Capital return £'000	2008 Total £'000	2007 Revenue return £'000	2007 Capital return £'000	2007 Total £'000
Corporation tax at 29.33% (2007: 30%)	**466**	**–**	**466**	339	–	339
Double taxation relief	**(391)**	**–**	**(391)**	(339)	–	(339)
	75	**–**	**75**	–	–	–
Foreign withholding taxes	**543**	**–**	**543**	406	–	406
Overseas tax reclaimable	**(151)**	**–**	**(151)**	(108)	–	(108)
Current tax charge for the year	**467**	**–**	**467**	298	–	298
Tax relief attributable to management fee and interest charged to capital	**516**	**(516)**	**–**	255	(255)	–
Total current tax for the year (see note 8(b))	**983**	**(516)**	**467**	553	(255)	298

(b) Factors affecting the tax charge for the year

The rate was 30% until 31 March 2008 and 28% from 1 April 2008 giving an effective rate of 29.33%. The differences are explained below:

	2008 Revenue return £'000	2008 Capital return £'000	2008 Total £'000	2007 Revenue return £'000	2007 Capital return £'000	2007 Total £'000
Net profit/(loss) on ordinary activities before taxation	**3,339**	**(7,086)**	**(3,747)**	2,057	18,879	20,936
Corporation tax at 29.33% (2007: 30%)	**979**	**(2,078)**	**(1,099)**	617	5,664	6,281
Effects of:						
Non-taxable gains on investments held at fair value through profit and loss	**–**	**1,992**	**1,992**	–	(5,925)	(5,925)
Tax charged/(credited) for use of capital expenses	**–**	**(430)**	**(430)**	(6)	6	–
Income taxable in different periods	**(1)**	**–**	**(1)**	(11)	–	(11)
Overseas tax	**393**	**–**	**393**	297	–	297
Relief for double taxation	**(391)**	**–**	**(391)**	(339)	–	(339)
Small companies marginal relief	**–**	**–**	**–**	(9)	–	(9)
Disallowable expenses	**3**	**–**	**3**	4	–	4
Current tax charge	**983**	**(516)**	**467**	553	(255)	298

(c) Factors that may affect future tax charges

The Company has £nil deferred tax assets (2007: £430,000) as the unrecognised deferred tax asset has been fully utilised during the year.

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9 Return per ordinary share

The total return per ordinary share is based on the net loss attributable to the ordinary shares of £4,214,000 (2007: £20,638,000 return) and on 23,242,213 ordinary shares (2007: 24,768,609) being the weighted average number of shares in issue during the year. The total return can be further analysed as follows:

	2008 £'000	2007 £'000
Revenue return	**2,356**	1,504
Capital (loss)/return	**(6,570)**	19,134
Total (loss)/return	**(4,214)**	20,638
Weighted average number of ordinary shares	**23,242,213**	24,768,609
Revenue return per ordinary share	**10.1p**	6.1p
Capital (loss)/return per ordinary share	**(28.2)p**	77.2p
Total per ordinary share	**(18.1)p**	83.3p

The Company does not have any dilutive securities.

10 Dividends on ordinary shares

	Register date	Payment date	**2008 £'000**	2007 £'000
Final dividend (3.5p) for the year ended 31 July 2006	6 October 2006	10 November 2006	**–**	898
Interim dividend (2.0p) for the year ended 31 July 2007	23 March 2007	12 April 2007	**–**	466
Final dividend (4.0p) for the year ended 31 July 2007	3 October 2007	9 November 2007	**932**	–
Interim dividend (3.0p) for the year ended 31 July 2008	4 April 2008	2 May 2008	**697**	–
			1,629	1,364

The proposed final and special dividends are subject to approval by shareholders at the Annual General Meeting and have not been included as a liability in these financial statements.

The total dividends payable in respect of the financial year which form the basis of section 842 of the Income and Corporation Taxes Act 1988 are set out below:

	2008 £'000
Revenue available for distribution by way of dividend for the year	**2,356**
Interim dividend of 3.0p paid 2 May 2008	**(697)**
Proposed final dividend for the year ended 31 July 2008 -7.0p (includes 2.0p special) (based on the 23,066,063 ordinary shares in issue at 7 October 2008)	**(1,614)**
Undistributed revenue for section 842 purposes*	**45**

*Undistributed revenue comprises 1.4% of the income from investments of £3,303,000 (see note 3).

Notes to the Financial Statements

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11 Fixed asset investments

	£'000
Valuation at 1 August 2007	122,865
Unrealised appreciation	(29,931)
Cost of investments at 1 August 2007	92,934
Purchases at cost	88,262
Sales at cost	(78,353)
Cost of investments at 31 July 2008	102,843
Unrealised appreciation	13,118
Valuation at 31 July 2008	**115,961**

Purchase transaction costs for the year ended 31 July 2008 were £144,000 (year ended 31 July 2007: £115,000). These comprise mainly brokers' commissions. Sale transaction costs for the year ended 31 July 2008 were £145,000 (year ended 31 July 2007: £143,000).

12 Debtors

	2008 £'000	2007 £'000
Sales for future settlement	**–**	2,224
Withholding tax recoverable	**214**	88
Prepayments and accrued income	**64**	60
Other debtors	**1**	42
VAT recoverable	**894**	–
	1,173	2,414

13 Creditors: amounts falling due within one year

	2008 £'000	2007 £'000
Purchases for future settlement	**–**	1,983
Management fee	**285**	88
Performance fee	**311**	–
Other accruals	**86**	71
Tax payable	**75**	–
	757	2,142

14 Net asset value per ordinary share

The net asset value per ordinary share is based on the net assets attributable to ordinary shares of £121,737,000 (2007: £128,762,000) and on 23,066,063 (2007: 23,303,063) ordinary shares in issue at the year end. There were no shares held in Treasury at the year end (2007: 2,363,942).

Notes to the Financial Statements
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15 Risk Management policies and procedures

As an Investment Trust company the Company invests in equities and other investments for the long term so as to secure its investment objectives as stated on the inside front cover and in the Directors' Report. In pursuing its investment objective, the Company is exposed to a variety of financial risks that could result in either a reduction in the Company's net assets or a reduction in the profits available for distribution by way of dividends.

These financial risks, market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk, and the Directors' approach to the management of these risks, are set out below. The Board of Directors and the Manager coordinate the Company's risk management.

The Board determines the objectives, policies and processes for managing the risks, and the methods used to manage the risks and these are set out below under the relevant risk category. The policies for the management of risk have not changed from the previous accounting period.

The Company has a spread of investments which by their nature are less risky than placing the entire amount of the Company's assets on solely one investment. By their nature, equity investments can be higher risk than some other investments but the longer term return can be positive. Performance of equities has been and is likely to continue to be volatile over shorter periods.

15.1 Market risk

The fair value of a financial instrument held by the Company may fluctuate due to changes in market prices. Market risk comprises market price risk (see note 15.1.1), currency risk (see note 15.1.2) and interest rate risk (see note 15.1.3). The Manager assesses the exposure to market risk when making each investment decision, and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

15.1.1 Market price risk

Market price risks (ie changes in market prices other than those arising from interest rate risk or currency risk) may affect the value of the quoted and unquoted investments.

Management of the risk

The Board of Directors manages the risks inherent in the investment portfolio by ensuring full and timely reporting of relevant information from the Investment Manager. Investment performance is reviewed at each Board meeting. The Board monitors the Portfolio Manager's compliance with the Company's objectives, and is directly responsible for investment strategy and asset allocation, including as between countries and economies.

The Company's exposure to other changes in market prices at 31 July 2008 on its investments held at fair value through profit or loss was £115,961,000 (2007: £122,865,000).

Concentration of exposure to market price risks

An analysis of the Company's investment portfolio is shown on page 10. There is a concentration of exposure to Germany, France, Switzerland and Denmark, though it is recognised that an investment's country of domicile or of listing does not necessarily equate to its exposure to the economic conditions in that country.

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15.1.1 **Market price risk** (continued)

Market price risk sensitivity

The following table illustrates the sensitivity of the return after taxation for the year and the equity to an increase or decrease of 5% (2007: 5%) in the fair values of the Company's equities. This level of change is considered to be possible based on observation of current market conditions. The sensitivity analysis is based on the Company's equities at each balance sheet date, with all other variables held constant.

	2008		2007	
	Increase in fair value £'000	**Decrease in fair value £'000**	Increase in fair value £'000	Decrease in fair value £'000
Income statement – profit after tax				
Revenue return	**(6)**	**6**	(6)	6
Capital return	**5,775**	**(5,775)**	6,119	(6,119)
Total return after tax for the year	**5,769**	**(5,769)**	6,113	(6,113)
Impact on the net assets	**5,769**	**(5,769)**	6,113	(6,113)

15.1.2 **Currency risk**

A proportion of the Company's assets, liabilities and income are denominated in currencies other than Sterling (the Company's functional currency, and presentational currency). As a result, movements in exchange rates may affect the Sterling value of those items.

Management of the risk

The Manager monitors the Company's exposure to foreign currencies on a daily basis and reports to the Board at each Board meeting. The Manager measures the risk to the Company of the foreign currency exposure by considering the effect on the Company's net asset value and total return of a movement in the exchange rate to which the Company's assets, liabilities, income and expenses are exposed.

Foreign currency borrowings may be used to hedge the Company's exposure to future changes in exchange rates which might otherwise adversely affect the value of the portfolio of investments. These borrowings are limited to 30% of net asset value.

Investment income denominated in foreign currencies is converted into Sterling on receipt. The Company does not use financial instruments to mitigate the currency exposure in the period between the time that income is included in the financial statements and its receipt.

Foreign currency exposure

The fair values of the Company's monetary items that have foreign currency exposure at 31 July 2008 are shown below. Where the Company's equity investments, which are not monetary items, are denominated in a foreign currency, they have been included separately in the analysis so as to show the overall level of exposure.

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15.1.2 Currency risk (continued)

2008	**Euro £'000**	**Swiss Franc £'000**	**Danish Krone £'000**	**Other £'000**
Debtors (amounts due from brokers, dividends and other income receivable)	**114**	**134**	**3**	**–**
Cash at bank and on deposit less short term overdrafts	**5,302**	**–**	**–**	**–**
Total foreign currency exposure on net monetary items	**5,416**	**134**	**3**	**–**
Investments at fair value through profit or loss that are equities	**79,083**	**24,073**	**7,908**	**4,897**
Total net foreign currency exposures	**84,499**	**24,207**	**7,911**	**4,897**

2007	Euro £'000	Swiss Franc £'000	Danish Krone £'000	Other £'000
Debtors (amounts due from brokers, dividends and other income receivable)	61	60	–	–
Cash at bank and on deposit less short term overdrafts	345	1,542	–	2
Creditors (amounts due to brokers, accruals and other creditors)	(1,983)	–	–	–
Total foreign currency exposure on net monetary items	(1,577)	1,602	–	2
Investments at fair value through profit or loss that are equities	89,865	21,141	8,009	3,850
Total net foreign currency exposures	88,288	22,743	8,009	3,852

The above amounts are not necessarily representative of the exposure to risk during the year as levels of monetary foreign currency exposure may change significantly throughout the year.

Foreign currency sensitivity

The following table illustrates the sensitivity of the total return after tax for the year and the net assets with regard to movements in the Company's foreign currency financial assets and financial liabilities caused by changes in the exchange rates for the Sterling/Euro, Sterling/Swiss Franc and Sterling/Danish Krone.

It assumes the following changes in exchange rates:
Sterling/Euro +/- 5% (2007: 5%).
Sterling/Swiss Franc +/- 5% (2007: 5%).
Sterling/Danish Krone +/- 5% (2007: 5%).

These percentages are deemed reasonable based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Company’s foreign currency financial assets and financial liabilities held at each balance sheet date.

Notes to the Financial Statements

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15.1.2 Currency risk (continued)

If Sterling had depreciated against the currencies shown the impact on the total return and net assets would have been as follows:

	2008 Euro £'000	**2008 Swiss Franc £'000**	**2008 Danish Krone £'000**	2007 Euro £'000	2007 Swiss Franc £'000	2007 Danish Krone £'000
a) Net monetary items						
Income Statement – net return after taxation						
Revenue return	**91**	**13**	**5**	57	12	6
Capital return	**(16)**	**(5)**	**(2)**	(19)	(4)	(2)
Total return after taxation for the year	**75**	**8**	**3**	38	8	4
Net assets	**75**	**8**	**3**	38	8	4
b) Portfolio equity investments						
Capital return	**4,441**	**1,267**	**417**	4,748	1,193	422
Net assets	**4,441**	**1,267**	**417**	4,748	1,193	422

If Sterling had appreciated against the currencies shown, this would have had the following effect:

	2008 Euro £'000	**2008 Swiss Franc £'000**	**2008 Danish Krone £'000**	2007 Euro £'000	2007 Swiss Franc £'000	2007 Danish Krone £'000
a) Net monetary items						
Income Statement – net return after taxation						
Revenue return	**(83)**	**(12)**	**(5)**	(52)	(10)	(6)
Capital return	**15**	**5**	**1**	17	4	1
Total return after taxation for the year	**(68)**	**(7)**	**(4)**	(35)	(6)	(5)
Net assets	**(68)**	**(7)**	**(4)**	(35)	(6)	(5)
b) Portfolio equity investments						
Capital return	**4,018**	**(1,147)**	**(376)**	(4,296)	(1,080)	(381)
Net assets	**4,018**	**(1,147)**	**(376)**	(4,296)	(1,080)	(381)

In the opinion of the Directors, the above sensitivity analyses are not necessarily representative of the year as a whole, since the level of exposure changes frequently as part of the currency risk management process used to meet the Company's objectives.

Notes to the Financial Statements
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15.1.3 Interest rate risk

Interest rate movements may affect the interest payable on the Company's variable rate borrowings.

Management of the risk
The majority of the Company's financial assets are non-interest bearing. As a result, the Company's financial assets are not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

Interest rate exposure
The Company does not have any fixed interest rate exposure.

Interest rate sensitivity
The Company is not materially exposed to changes in interest rates.

15.2 Liquidity risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

Management of the risk
Liquidity risk is not significant as the majority of the Company's assets are investments in quoted securities that are readily realisable. The Company has no loan facility (2007: £nil) but has an overdraft facility with a sub custodian the extent of which is determined by the custodian on a regular basis by reference to the value of the securities held by it on behalf of the Company.

The Board gives guidance to the Manager as to the maximum amount of the Company's resources that should be invested in any one company. The policy is that the Company should generally remain fully invested and that short-term borrowings be used to manage short term cash requirements.

15.3 Credit risk

The failure of the counterparty to a transaction to discharge its obligations under that transaction could result in the Company suffering a loss.

Management of the risk
Credit risk is managed as follows:
– investment transactions are carried out with a large number of approved brokers, whose credit standard is reviewed periodically by the Manager, and limits are set on the amount that may be due from any one broker.
– cash at bank is held only with reputable banks and is subject to continual review.

None of the Company's financial assets or liabilities are secured by collateral or other credit enhancements.

The Company has not been materially exposed to credit risk throughout the year.

15.4 Fair values of financial assets and financial liabilities

Financial assets and financial liabilities are either carried in the balance sheet at their fair value (investments and derivatives) or the balance sheet amount is a reasonable approximation of fair value (amounts due from brokers, dividends and interest receivable and amounts due to brokers, accruals, cash at bank and bank overdrafts).

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15.5 Capital management policies and procedures

The Company's capital management objectives are:

- to ensure that it will be able to continue as a going concern, and
- to maximise the income and capital return to its equity shareholders

through an appropriate balance of equity capital and debt.

The Company's capital at 31 July 2008 comprised its equity share capital and reserves that are shown in the balance sheet at a total of £121,737,000 (2007: £128,762,000).

The Board, with the assistance of the Manager, monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:

- the need to buy back equity shares for cancellation, which takes account of the difference between the net asset value per share and the share price (ie the level of share price discount or premium);
- the need for new issues of equity shares;
- the extent to which revenue in excess of that which is required to be distributed should be retained.

The Company's objectives, policies and processes for managing capital are unchanged from the preceding accounting period.

The Company is subject to additional externally imposed capital requirements:

- As a public company, the Company has a minimum issued share capital of £50,000.
- In order to be able to pay dividends out of profits available for distribution by way of dividends, the Company has to be able to meet one of the two capital restriction tests imposed on investment companies by law.

These requirements are unchanged since last year, and the Company has complied with them.

16 Called up share capital

	Number of shares held in Treasury	Number of shares entitled to dividend	Total number of shares in issue	Nominal value of shares in issue £'000
Ordinary shares of 5p each				
Authorised	–	–	75,000,000	3,750
Balance brought forward	2,363,942	23,303,063	25,667,005	1,283
Repurchase of ordinary shares held in Treasury	237,000	(237,000)	–	–
Cancellation of ordinary shares held in Treasury	(2,600,942)	–	(2,600,942)	(130)
Balance carried forward	**–**	**23,066,063**	**23,066,063**	**1,153**

During the year 237,000 ordinary shares were repurchased at a total cost of £1,182,000 and subsequently cancelled. A further 2,363,942 shares held in Treasury were also cancelled during the year. Since the year end there have been no further shares repurchased.

17 Share premium account

	£'000
At 1 August 2007 and 31 July 2008	**33,814**

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18 Reserves

	Capital redemption reserve £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Capital reserves total £'000	Revenue reserve £'000
At 1 August 2007	–	61,997	29,931	91,928	1,737
Transfer on disposal of assets	–	14,181	(14,181)	–	–
Net movement on investments held at fair value through profit or loss	–	(4,664)	(2,632)	(7,296)	–
Net movement on foreign exchange	–	506	–	506	–
Expenses and interest payable charged to capital	–	(296)	–	(296)	–
Tax relief on expenses and interest payable charged to capital	–	516	–	516	–
Repurchase of ordinary shares held in Treasury	–	(1,182)	–	(1,182)	–
Cancellation of ordinary shares held in Treasury	130	–	–	–	–
Final dividend for the year ended 31 July 2007 (paid 9 November 2007)	–	–	–	–	(932)
Net revenue return after taxation for the year	–	–	–	–	2,356
Interim dividend for the year ended 31 July 2008 (paid 2 May 2008)	–	–	–	–	(697)
At 31 July 2008	**130**	**71,058**	**13,118**	**84,176**	**2,464**

The Institute of Chartered Accountants in England and Wales has issued guidance (TECH 01/08) stating that profits arising out of a change in fair value of assets, recognised in accordance with Accounting Standards, may be distributed, provided the relevant assets can be readily converted into cash. Securities listed on a recognised stock exchange are generally regarded as being readily convertible into cash and hence unrealised profits less losses amounting to £13,118,000, currently included within "Other capital reserves – unrealised reserve", may be regarded as distributable. However, under the terms of the Company's Articles of Association, sums within "Other capital reserves" are available for distribution only by way of redemption or purchase of any of the Company's own shares. In addition, in order to maintain investment trust status, the Company may only distribute accumulated "realised" profits.

19 Reconciliation of operating revenue to net cash inflow/(outflow) from operating activities

	2008 £'000	2007 £'000
Net return before finance charges and taxation	**(3,746)**	20,944
Capital loss/(return) before finance charges and taxation	**7,085**	(18,885)
Revenue return before finance charges and taxation	**3,339**	2,059
Increase in prepayments, accrued income and other debtors	**(857)**	(76)
Increase/(decrease) in accruals	**523**	(722)
Tax on unfranked investment income deducted at source	**(543)**	(406)
Expenses allocated to capital	**(295)**	(866)
Net cash inflow/(outflow) from operating activities	**2,167**	(11)

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20 Analysis of changes in net funds

	At 1 August 2007 £'000	Cashflow £'000	Exchange Movements £'000	**At 31 July 2008 £'000**
Cash at bank	5,625	(771)	506	**5,360**
Net funds	5,625	(771)	506	**5,360**

21 Capital commitments and contingent liabilities

Capital commitments
There were no capital commitments as at 31 July 2008 (2007: £nil).

Contingent liabilities
There were no contingent liabilities as at 31 July 2008 (2007: £nil).

22 VAT on management fees

In 2004 the Association of Investment Companies (the "AIC"), together with JPMorgan Claverhouse Investment Trust plc, launched a case against HM Revenue & Customs ("HMRC") to challenge whether Value Added Tax ("VAT") should be charged on fees paid for management services provided to investment trust companies. On 28 June 2007 the European Court of Justice delivered its judgement on the case in favour of the AIC. Since then, HMRC has accepted that the provision of investment management services to investment trust companies is VAT exempt and has acknowledged its liability to pay claims in respect of VAT borne by investment companies. The Manager (Henderson Global Investors Limited) will now be able to reclaim from HMRC the amount of VAT charged to the Company in respect of investment management services from 1 October 2000 to 30 June 2007, to the extent that such VAT was paid by the Manager to HMRC. VAT has not been applied to investment management fees invoiced since June 2007.

Accordingly, VAT borne by the Company on investment management fees invoiced in the period from 1 October 2000 to 30 June 2007 has been written back, in accordance with an agreement reached between the Manager and the Company. An amount of £894,000 has been recognised, reflecting the extent to which recovery by the Company is considered to be certain. The write-back has been allocated between revenue return and capital return according to the allocation of the amounts originally paid.

The Company may be able to recover further amounts of the VAT charged on investment management fees back to 1990, in particular in respect of the period from 1 January 1990 to 4 December 1996 (following the decision of the House of Lords in the Fleming/Condé Nast case). The Company may also receive from the Manager any interest paid by HMRC on the amounts recovered eventually. With regards to both of these potential recoveries the Board considers that currently there are too many uncertainties for any reasonable estimate of the amounts potentially recoverable during that period to be calculated.

The Company will receive from the Manager any interest paid by HMRC on the amounts eventually recovered.

Notes to the Financial Statements
continued

23 Transactions with the management company

Under the terms of an agreement dated 14 December 2005, the Company appointed a wholly owned subsidiary company of Henderson Global Investors (Holdings) plc ("Henderson") to provide investment management, accounting, company secretarial and administrative services. Henderson has contracted with BNP Paribas Fund Services UK Limited to provide accounting and administrative services.

Details of the management fee arrangements for these services are given in the Directors' Report on page 16. The total of the fees paid or payable under this agreement to Henderson in respect of the year ended 31 July 2008 was £894,000, excluding VAT (2007: £921,000) of which £285,000 was outstanding at 31 July 2008 (2007: £75,000).

In addition to the above services, Henderson has provided the Company with marketing services during the year. The total fees, excluding VAT paid or payable for these services for the year ended 31 July 2008 amounted to £11,000 (2007: £14,000) of which £9,000 was outstanding at 31 July 2008 (2007: £8,000).

Since 1 August 2005, the Company has contracted directly with JPMorgan for the provision of custodian services.

Notice of Annual General Meeting

Notice is hereby given that the Sixteenth Annual General Meeting of Henderson EuroTrust plc will be held at 4 Broadgate, London EC2M 2DA on Thursday, 13 November 2008 at 12 noon for the following purposes:

Ordinary Business

1 To receive the Directors' Report and audited financial statements for the year ended 31 July 2008.

2 To approve the Directors' Remuneration Report for the year ended 31 July 2008.

3 To approve a final dividend of 5.0p per share.

4 To approve a special dividend of 2.0p per share.

5 To elect Mr J E Cornish.

6 To elect Mr B J H S Feilzer.

7 To re-elect Mr R A T Bischof.

8 To re-elect Mr T P Stevenson.

9 To re-appoint PricewaterhouseCoopers LLP as auditors to the Company.

10 To authorise the Directors to determine the auditors' remuneration.

Special Business

To consider and, if thought fit, pass the following resolutions:

as an Ordinary Resolution:

11 that the Board be and it is hereby generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount of £57,665 (or 1,153,300 ordinary shares of 5p each, being 5% of the nominal value of the issued ordinary share capital of the Company at the date of this notice) provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or, if earlier, fifteen months from the date hereof save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Board may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired. The Directors may use this authority when the Directors consider it to be advantageous to the Company's existing shareholders.

as a Special Resolution:

12 that, subject to the passing of resolution 11, the Board be and it is hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of the said Act) and to sell relevant shares (within the meaning of Section 94 of the said Act) if, immediately before the sale, such shares are held by the Company as Treasury shares (as defined in Section 162A of the said Act) for cash (pursuant to the authority conferred by resolution 11) as if sub-section (1) of Section 89 of the said Act did not apply to any such allotment or sale, provided that this power shall be limited to the:

a) allotment of equity securities, or sale of relevant shares whether by way of a rights issue, open offer or otherwise to ordinary shareholders where the equity securities or sale of relevant shares respectively attributable to the interests of all ordinary shareholders are proportionate to the respective numbers of ordinary shares held by them subject in either case to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to fractional entitlements or local or practical problems under the laws of, or the requirements of, any regulatory body or any stock exchange in any territory or otherwise howsoever; and

b) allotment or sale (otherwise than pursuant to sub-paragraph (a) above) of equity securities or relevant shares up to an aggregate nominal value of £57,665 (or 1,153,300 ordinary shares of 5p each, being 5% of the nominal value of the issued ordinary share capital of the Company at the date of this notice); and

Notice of Annual General Meeting
continued

c) allotment of equity securities or sale of relevant shares at a price not less than the net asset value per share

and shall expire at the earlier of fifteen months from the date of the passing of this resolution or at the conclusion of the next Annual General Meeting save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted or relevant shares to be sold after such expiry and the Board may allot equity securities or sell relevant shares in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

as a Special Resolution:

13 that the Company be and is hereby generally and unconditionally authorised in accordance with Section 166 of the Companies Act 1985 to make market purchases (within the meaning of Section 163 of the said Act) of ordinary shares of 5p each in the capital of the Company ("ordinary shares"), provided that:

a) the maximum number of ordinary shares hereby authorised to be purchased shall not be more than 14.99% of the ordinary shares in issue at the date of the Annual General Meeting (equivalent to 3,457,602 ordinary shares at the date of this notice);

b) the maximum price (exclusive of expenses) which may be paid for an ordinary share shall not exceed 105% of the average of the middle market quotations for the shares as derived from the Daily Official List of the London Stock Exchange plc for the five business days preceding the date of purchase;

c) the minimum price (exclusive of expenses) which may be paid for an ordinary share shall be 5p being the nominal value per share;

d) unless renewed, the authority shall expire at the conclusion of the next Annual General Meeting of the Company, save that the Company may, before such expiry, enter into a contract to purchase ordinary shares under which such purchases will or may be completed or executed wholly or partly after the expiration of this authority and may make a purchase of shares in pursuance of any such contract.

as a Special Resolution:

14 that any ordinary shares so purchased in accordance with resolution 13 shall be cancelled or, if the Directors so determine and subject to the provisions of the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 and any applicable regulations of the United Kingdom Listing Authority, held as Treasury shares.

as a Special Resolution:

15 that the Articles of Association contained in the document produced to the meeting and signed by the Chairman for the purposes of identification be approved and adopted as the Articles of Association of the Company in substitution for and to the exclusion of the existing Articles of Association with effect from the conclusion of the 2008 Annual General Meeting.

By order of the Board

Henderson Secretarial Services Limited
Secretary
7 October 2008

Registered Office:
4 Broadgate
London EC2M 2DA

Notice of Annual General Meeting

continued

Notes

1 The Company proposes to adopt new Articles of Association. These incorporate amendments to the current Articles of Association to reflect those provisions of the Companies Act 2006 ("the 2006 Act") which came, or will come, into effect in 2007 and 2008. As the 2006 Act will not be fully in force until October 2009, it is not yet possible to amend the Articles of Association to reflect all the changes to be made by the 2006 Act. In the circumstances it is expected that shareholders will be asked to approve further changes to the Articles of Association at the next Annual General Meeting in 2009.

For a more detailed explanation of the proposed amendments please refer to the Appendix to this Notice of Annual General Meeting on pages 53 to 55.

A copy of the current Articles of Association and of the proposed new Articles of Association marked up to show the proposed amendments will be available for inspection during normal business hours (Saturdays, Sundays and public holidays excepted) at the Company's registered office, 4 Broadgate, London EC2M 2DA until the conclusion of the meeting.

2 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 only those shareholders registered in the Register of Members of the Company at close of business on 11 November 2008 shall be entitled to attend and vote at the AGM in respect of the number of shares registered in their name at that time. Changes to entries on the Register of Members after close of business on 11 November 2008 shall be disregarded in determining the rights of any person to attend and vote at the meeting.

In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members in respect of the joint holding.

3 Pursuant to section 324 of the Companies Act 2006, a member entitled to attend and vote at the meeting may appoint one or more proxies to attend and, to vote on his behalf. A proxy need not be a member of the Company. A form of proxy is enclosed and to be valid must be lodged with the Company's Registrar (Computershare Investor Services PLC, PO Box 82, The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ) not less than forty-eight hours before the time fixed for the meeting. The completion of the form of proxy will not preclude shareholders from attending and voting in person at the meeting.

4 By attending the meeting, members and their proxies and representatives are understood by the Company to have agreed to receive any communications relating to the Company's shares made at the meeting.

5 In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of appointment letter if the chairman is being appointed as described in (i) above.

6 Total voting rights: as at 7 October 2008 (being the last practicable date prior to the publication of this Notice) the Company's issued share capital consisted of 23,066,063 ordinary shares. On a poll, one share is required for one vote. Therefore the total number of voting rights in the Company as at 7 October 2008 was 23,066,063.

Appendix to the Notice of Annual General Meeting

Set out below is a summary of the main differences between the current and the proposed new Articles of Association ("the Articles"). The principal changes contained in the new Articles relate to electronic communication with shareholders, shareholder meetings and resolutions, Directors' indemnities, transfers of shares and Directors' conflicts of interest, and the deletion of obsolete provisions in relation to a share class which has now been cancelled. The changes are being proposed to reflect provisions of the 2006 Act which came, or will come, into effect in 2007 and 2008, to delete from the Articles references to the zero dividend preference shares in the Company which were repaid, cancelled and extinguished on 31 October 2002 and to clarify the provisions relating to the Company's borrowing powers and relating to the distinction between capital and revenue.

Abolition of Extraordinary General Meetings and Extraordinary Resolutions

Throughout the Articles, references to a requirement for an "extraordinary general meeting" have been replaced by "general meeting" and references to an "extraordinary resolution" have been replaced by "special resolution" as the terms "extraordinary general meeting" and "extraordinary resolution" have ceased to be applicable under the 2006 Act.

Notice of General Meetings and circulation of Resolutions etc, on requisition of members

The provisions in the Articles dealing with the convening of general meetings, method of notice and the length of notice required to convene general meetings are in line with the relevant provisions of the 2006 Act. In particular, a general meeting to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required.

Votes of members, proxies and corporate representatives

Under the 2006 Act, proxies are entitled to vote on a show of hands as well as on a poll, and members may appoint a proxy to exercise all or any of their rights to attend, speak and vote at meetings. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share or shares. The 2006 Act also provides for multiple corporate representatives to be appointed and the new Articles therefore refer to the right to appoint multiple corporate representatives.

Notices and other communications

The 2006 Act enables companies to communicate with their members by electronic communication to a greater extent than previously permitted. The new Articles provide the Company with a general power to send or supply any notice, document or information to any member by a variety of methods – in person, by post or in electronic form (such as by email), or by making it available on the Company's website. In addition to any notice, document or information which is specifically required to be sent or supplied under the 2006 Act, the Company will also be able to send any other document or information to members using this variety of methods.

The new Articles allow proxies to be sent or supplied in electronic form and, where the Company gives an electronic address in a form of proxy, shareholders may send the appointment of proxy to that electronic address, subject to any conditions or limitations specified in the relevant notice of meeting. The Company may ask each member for his or her consent to receive communications from the Company via its website. If the member does not respond to the request for consent within 28 days, the Company may take that as consent by the member to receive communications in this way. If the Company sends or supplies any notice, document or information to members by making it available on the Company's website, it must notify each member who has consented (or is deemed to have consented) to receive documents via the website, either by post or by email (if the member has specifically agreed to receive communications in electronic form), that the notice, document or information has been placed on the website. A member who has consented or is deemed to have consented to receive communications via the website can request a hard copy of any document at any time. Members can also revoke their consent to receive electronic communications at any time. In relation to joint holders of shares, the new Articles provide that the agreement of the first-named holder on the register of members to accept notices, documents or information electronically or via a website shall be binding on the other joint holders. The new Articles would also permit the Company not to send or supply any notice, document or

Appendix to the Notice of Annual General Meeting

continued

information to a member whose registered address is not in the United Kingdom unless that member gives a non-electronic address in the United Kingdom. There are new provisions that cater for situations where the provision of corporate information in electronic form or via a website may amount to a breach of securities laws of another jurisdiction. The Company may send hard copies if it needs to restrict the circulation of information in certain circumstances, such as for US securities law reasons. The new Articles also deal with notices, documents or information sent by the Company to a member which have been returned undelivered on two consecutive occasions. The Directors may resolve to treat such members as having no registered address for service and that member will only be entitled to be sent further communications upon provision of a new postal or electronic address to the Company. Further proposed provisions are included to deal with the validation of documents in electronic form by members where required by the Articles. In the case of notices of meetings or proxies, any validation requirements must be specified in the notice.

Polls

A new provision has been inserted to reflect the fact that the Company is required to publish the results of a poll on its website in accordance with the 2006 Act.

Directors' interests and conflicts of interests

The 2006 Act now puts directors' general duties on a statutory footing by codifying the existing law, but with some changes. Under the 2006 Act, from 1 October 2008 a director has a statutory duty to avoid a situation where he has, or can have, a direct or indirect interest that conflicts or possibly may conflict, with the Company's interests. The 2006 Act allows the Articles to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty.

The new Articles allow the Directors to be interested in transactions and to be an officer of, or employed by, or interested in, a body corporate in which the Company is interested subject to such interests, offices or employment not infringing the Director's conflict duty as codified in the 2006 Act and the Director having disclosed the nature and extent of any of his material interests.

The new Articles grant the Directors authority to approve conflict situations. There are safeguards that will apply when directors decide whether to authorise a conflict or potential conflict. Firstly, only directors who have no interest in the matter being considered will be able to take the relevant decision and, secondly, in taking the decision, the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The Directors will be able to impose limits or conditions when given authorisation if they think this is appropriate.

The new Articles contain provisions relating to confidential information and attendance at Board meetings to protect a Director from being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the Directors.

The new Articles provide for a Director being able to exercise the voting power conferred by shares of any company held or owned by the Company or exercisable by them as directors of any other company as they think fit.

Borrowing powers

Under the existing Articles the Board is required to restrict borrowings of the Company and any subsidiaries and subsidiary undertakings so that (in so far as it is possible in relation to any subsidiaries and subsidiary undertakings) such borrowings do not exceed the amount paid up on the share capital of the Company and the total of the capital and revenue reserves of the Company and any subsidiaries and subsidiary undertakings as shown in the latest group accounts of the Company. The new Articles clarify that where the Company is not required to publish group accounts the relevant accounts are the Company's own audited accounts.

Directors' powers to allocate revenue and capital

As an investment trust company under section 842 of the Income and Corporation Taxes Act 1988 and an investment company under section 833 of the 2006 Act the Company is subject to restrictions on its ability to distribute capital profits and capital profits cannot in any event be distributed by way of dividend. The new Articles give the Directors full power to determine whether any particular item is to be treated as revenue or capital within the applicable statutory framework.

Appendix to the Notice of Annual General Meeting

continued

Service of Notices and other documents

The Articles have been amended so as to enable the Company to send or give any notice, document or information to any member in electronic form.

The Seal

The 2006 Act enables a company to sign documents by one director executing the documents in the presence of a witness. The new Articles provide for this form of execution of documents.

Indemnity

The new Articles permit the Directors (but not the auditors) to be indemnified to the fullest extent permitted by the 2006 Act not only in relation to the affairs of the Company. The changes allow the Company to provide its Directors with funds to cover the costs of defending legal proceedings brought against any Director/Directors or the Directors collectively on an "as incurred" basis. Previously, a company could only fund a Director's defence costs once final judgment in his/her favour had been reached. It is therefore proposed that the Company's Articles be amended so that the Company may fund the defence costs of current or former Directors or other officers if an action were to be brought against them.

Warning to Shareholders

Over recent months many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. They can be very persistent and extremely persuasive. Shareholders are therefore advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

Please note that it is very unlikely that either the Company or the Company's Registrar, Computershare Investor Services PLC, would make unsolicited telephone calls to shareholders and that any such calls would relate only to official documentation already circulated to shareholders and never in respect of investment 'advice'.

If you are in any doubt about the veracity of an unsolicited phone call, please call either the Company Secretary or the Registrar at the numbers provided on the inside back cover of this report.

Investor Information

Investment Trusts

Many people today recognise the benefits of investing in the stock market or in overseas stock markets, but are concerned about risks and complexity. They recognise that stock markets offer the prospect not only of protection from inflation but also real capital growth over the long term.

Investment trusts provide the ideal, low cost solution.

When you buy shares in an investment trust, you are buying shares in a public limited company which owns a portfolio of shares in a wide range of other companies. This wide spread of investments allows you to benefit from the growth potential of a particular stockmarket whilst reducing the risk inherent in holding shares in any one company. This makes investment trusts an ideal vehicle for people with relatively modest amounts to invest, as well as for those wishing to diversify their share portfolios.

Furthermore, investment trusts not only benefit from the investment experience of the Manager, they also benefit from an experienced Board of Directors, each with knowledge of different industries. As general long-term savings vehicles, investment trusts have a track record of performance and stability to be proud of.

Net Asset Value and Share Price

The Company's Net Asset Value ("NAV") is released daily, on the working day following the calculation date, to the London Stock Exchange.

The London Stock Exchange Daily Official List (SEDOL) code for the ordinary shares is 0419929.

The mid-market price of Henderson EuroTrust plc ordinary shares is shown in the Investment Companies section of the stock market pages in the Financial Times under "HenEuro".

Investing in Henderson EuroTrust plc

Ordinary shares of Henderson EuroTrust may be bought or sold directly through a stockbroker or other independent financial advisor or through a number of banks and building societies which also provide share dealing services. Alternatively, shares may be bought directly through itshenderson, telephone 0845 712 5432, or at **www.itshenderson.com**.

Performance Information

Information on the Company's performance is provided in the half year and annual reports which are sent to shareholders in April and October respectively.

More up-to-date performance information is available on the internet at: **www.hendersoneurotrust.com** **www.itshenderson.co.uk** and **www.trustnet.co.uk**

These websites provide a monthly update on the Company's largest holdings, along with comments from the Portfolio Manager.

Shareholder Details

Main register shareholders may check their shareholding online with our Registrar, Computershare Investor Services PLC. This link may be found via **www.computershare.com** Please note that to gain access to your details on the Computershare site you will need the holder reference number on the top left hand corner of your share certificate.

Disability Discrimination Act

Copies of this Annual Report and Financial Statements or other documents issued by Henderson EuroTrust plc are available from the Company Secretary. If needed, copies can be made available in a variety of formats, either Braille or on audio tape or larger type as appropriate.

You can contact our Registrar, Computershare Investor Services PLC, who have installed textphones to allow speech and hearing impaired people who have their own textphone to contact them directly without the need for an intermediate operator. Specially trained operators are available during normal business hours to answer queries via this service. The telephone number is 0870 702 0005.

For holders who hold their shares via itshenderson the text phone telephone number is 0870 240 1847. Alternatively, if you prefer to go through a 'typetalk' operator (provided by the Royal National Institute for Deaf People) you should dial 18001 followed by the number you wish to dial. For investors through the itshenderson ISA, a minicom telephone service is available on 020 7850 5406. This service is available during normal business hours.

Investor Information

continued

Investment Manager
Henderson Global Investors Limited,
authorised and regulated by the Financial Services Authority,
represented by Tim Stevenson

Secretary
Henderson Secretarial Services Limited

Registered Office
Until 16 November 2008:
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England and Wales No. 2718241

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aic
The Association of
Investment Companies

Henderson EuroTrust plc is managed by

Henderson Global Investors

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